Austria ... Sch. 20	Indonesia .. Rs 3100	Philippines . Pes 20
Bahrain .. Din.0.650	Israel ..... NS 3.50	Portugal .. Esc 100
Belgium BFr.45	Italy .... L 1500	S. Arabia .. Rls 6.00
Canada .... C$1.00	Japan Y550	Singapore . S$ 4.10
Cyprus .... C£0.75	Jordan Fils.500	Spain .... Pta 125
Denmark ... Dkr.8.00	Kuwait Fils.500	Sri Lanka ... Rup 30
Egypt ..... E£1.00	Lebanon . £L 25.00	Sweden .. Skr 7.00
Finland .. Fmk 8.50	Luxembourg . LFr.45	Switzerland SFr 2.20
France .. FFr. 6.50	Malaysia .. Rm 4.25	Taiwan ... NT $65
Germany . DM 2.20	Mexico .. Pes. 300	Tunisia .. Din 1.375
Greece ...... Dr 80	Morocco .. Dh 6.00	Turkey .... L 350
Hong Kong . HK$ 12	Netherlands . Fl 2.75	U.A.E. ... Dh 6.50
India .... Rup. 15	Norway .. Nkr. 7.00	U.S.A. $1.00

FINANCIAL TIMES

EUROPE'S BUSINESS NEWSPAPER

No. 30,078 — Friday November 7 1986 — D 8523 B

Italy plugs Mafia loophole, Page 2

World news

45 feared dead as helicopter crashes

Forty-five people were missing, believed dead, after a giant helicopter ferrying offshore oil workers crashed in icy seas off Sumburgh in Scotland's remote Shetland Islands. Two people were rescued.

The British International Chinook twin-engined aircraft was on charter to Shell. Mr John Moore, the Transport Secretary, promised in the House of Commons that there would be a thorough inquiry. Page 9

Secret Iran deal

The US shipped military cargo to Iran over the last 14 months as part of secret overtures to the Tehran regime aimed at securing the release of American hostages in Lebanon, according to reports in Washington.

Quoting unnamed US intelligence officials, the Washington Post said that Mr Robert McFarlane, President Reagan's former national security adviser, and others held talks with the Iranians in Europe and Tehran. Page 4

Kohl defends SDI

Chancellor Helmut Kohl of West Germany strongly defended President Ronald Reagan for refusing to give up research on the Strategic Defence Initiative (SDI). He apologised for the "impression" created in an interview that he had compared Soviet leader Mikhail Gorbachev with Nazi propaganda boss Josef Goebbels. Page 24

Basques block roads

The Spanish Basque country erupted in protest against France's expulsion of six Eta suspects on the day that French Prime Minister Jacques Chirac paid his first official visit to Madrid. Demonstrators marched through San Sebastian and blocked motorways.

Manila peace hopes

A Philippines government negotiator reported major progress in ceasefire talks with communist rebels and said an agreement could come within days. Page 3

Greek price freeze

Greece is freezing prices of all goods and services until the end of January because prices have begun rising ahead of the introduction of Vat on January 1. Shopkeepers who put up prices face jail or heavy fines.

Brokers resign

Twenty-six directors, analysts and senior salesmen handed in their resignations in London to W.I. Carr (Overseas) Holdings, known as Wico, a subsidiary of Exco International, in what is believed to be the biggest ever mass defection of stockbroking staff. Page 9

Dam upsets Seoul

South Korea warned North Korea that it might take "self-defensive measures" unless the North stopped building a huge dam which Seoul says could bring disaster to the South. Page 3

ANC woman jailed

Former journalist Marion Sparg, 28, a white member of the banned African National Congress (ANC) found guilty of planting limpet mines at three South African police stations, was jailed in Johannesburg for 25 years for treason and arson. GM strikers to return, Page 3

Spies sentenced

Former US Navy officer John Walker was jailed for life in Baltimore for masterminding a spy ring that sold military secrets to Moscow for 17 years. His son, Michael, was sentenced to 25 years for his role in the operation.

Taba talks date

The international arbitration panel chosen by Egypt and Israel to settle their territorial dispute over the tiny Taba coastal enclave is to meet in Geneva on December 18.

Business summary

Goldsmith offers $5bn for Goodyear

SIR JAMES GOLDSMITH, Anglo-French financier, unveiled one of the biggest foreign takeover proposals in the US by offering to buy Goodyear Tire & Rubber Company, the world's biggest tyre manufacturer, for $5.3bn. Page 25

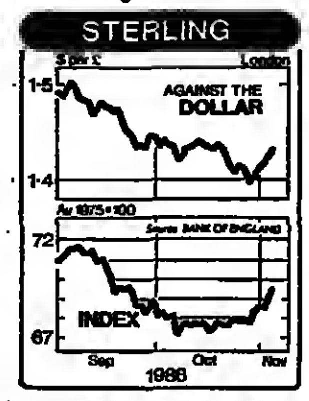
WALL STREET: The Dow Jones industrial average closed down 7.45 at 1,891.59. Page 44

TOKYO: The Nikkei market average was up 44.64 at 16,758.35. Page 44

LONDON: Gilts lost ground on the Chancellor of the Exchequer's spending plan and equities edged slightly higher. The FT Ordinary rose 7.8 to 1,303.9 and the FT-SE 100 gained 4.1 to 1,648.5. Page 44

STERLING closed in New York at $1.4270. It closed in London at $1.4310 ($1.4235); it also rose to SFr 2.46 (SFr 2.4550), FFr 9.62 (FFr 9.5825) and DM 2.95 (DM 2.9375), but fell to Y233.50 (Y234.00). The pound's exchange rate index rose 0.4 to 69.5. Page 37

STERLING



GOLD rose $2 to $408.25 ($406.25) on the London bullion market. It also rose $2.35 in Zurich to $408.50. In New York the Comex December settlement was $412.40. Page 36

DOLLAR closed in New York at DM 2.0615; SFr 1.7185; FFr 6.7245 and Y163.15. It fell in London to DM 2.0610 (DM 2.0640); to Y163.25 (Y164.45); to SFr 1.7195 (SFr 1.7250); and to FFr 6.7225 (FFr 6.7325). On Bank of England figures the dollar's exchange rate index fell to 112.3 from 112.7. Page 37

SWISS REINSURANCE saw group profits rise by 20.8 per cent last year to a record SFr 145m ($90.6m). Parent company net profits rose 16.1 per cent to SFr 119.5m. Page 25

CARLO DE BENEDETTI, Italian financier and entrepreneur, is acquiring a 25 per cent stake in Yves Saint Laurent, French fashion house, for FFr 255m ($38m). Page 25

KLM Royal Dutch airlines, Netherlands' flag carrier, reported a 16 per cent drop in earnings to Fl 255.5m ($110m) in the first half of fiscal 1986 from Fl 303.7m a year earlier due to severe competition in the industry. Page 25

NISSAN MOTOR, Japan's second largest car maker, announced an operating loss of Y19.7bn ($120m) for the first six months to September, its first loss since becoming a public company in 1951. Page 25

SONY ELECTRONICS is to become the first Japanese manufacturer to build its own plant in Italy. Page 4

ANDRÉ SAUMIER has resigned as president of the Montreal Stock Exchange after 18 months in the post, saying that he wanted to pursue other interests.

MR IRA SOKOLOW, a 32-year old investment banker was yesterday sentenced by a New York federal judge to one year and one day in prison for his role in the biggest ever Wall Street insider trading case. The former vice president of Shearson Lehman Brothers, admitted funnelling stolen information on proposed takeovers and transactions to Mr Dennis Levine, a former managing director at Drexel Burnham Lambert.

FERMENTA, Swedish antibiotics and animal health concern, had trading in its shares suspended again for the seventh time this year as the Swedish stock exchange met to consider new disciplinary action against the group. Page 25

Shultz, Shevardnadze admit failure in arms talks

BY ROBERT MAUTHNER AND PATRICK BLUM IN VIENNA

THE US and the Soviet Union yesterday failed in their second attempt within one month to achieve a breakthrough in their nuclear arms control negotiations.

Mr George Shultz, US Secretary of State, and Mr Eduard Shevardnadze, his Soviet opposite number, who met in Vienna with only interpreters present for three hours on Wednesday and with their top advisers for two hours yesterday, both openly admitted their lack of success.

The main stumbling block to progress remained their disagreement over the US Strategic Defence Initiative (SDI) – the Star Wars project for space-based defensive weapons – as it had been at last month's meeting in Reykjavik between US President Ronald Reagan and Mr Mikhail Gorbachev, the Soviet leader.

In a speech at the Helsinki Agreement review conference in Vienna on Wednesday, Mr Shevardnadze confirmed that his government was not prepared to reach agreement on any other category of nuclear arms in isolation from a satisfactory solution to the problem of SDI.

Mr Shevardnadze said that his talks with Mr Shultz had left him "with a bitter taste," although he had not lost hope that sooner or later the US leaders would understand that there was no way back after the progress made in Reykjavik.

The Soviet Union is expected in Geneva today to table formally its post-Reykjavik package of nuclear arms reduction proposals, and some senior officials believe that it was because Moscow did not want to pre-empt the resumption of the arms talks in Geneva that they were unwilling to go further at the Vienna meeting.

While the Soviet Foreign Minister decribed the US position as "a mixed bag of old mothballed views" combined with Soviet concessions made at Reykjavik which Washington had "pocketed," Mr Shultz declined to be drawn into making any dramatic statements.

The US Secretary of State said he had come to Vienna, accompanied by his top arms control experts prepared to build on the results of Reykjavik. At the same time, the US was also prepared to be patient "since the rhythm and pace of this negotiation cannot be forced by either side."

However, he could not report the kind of progress that he would have liked nor say that his meetings with Mr Shevardnadze had moved arms control matters along in any significant way. There were still some very important areas of disagreement in each of the three categories at the Geneva nuclear arms talks: offensive strategic weapons, intermediate nuclear forces (INF) and space-based defence.

The main problem, according to Mr Shultz and his officials, had been that the Soviet delegation had not been prepared to clarify the agreements and disagreements between the two sides at the Reykjavik summit which the US had set out in separate papers. The Soviet delegation refused to be pinned down, one senior US official said.

To maintain the momentum of the nuclear arms negotiations, the US has proposed that experts from both sides should meet between the formal rounds of talks in Geneva, to see if they could make some progress. That offer remained on the table.

Mr Shultz summed up the situation in the various categories of the nuclear arms talks as follows:

- On offensive strategic arms, the point of departure was the agreement at Reykjavik to limit each side to 1,600 intercontinental ballistic missiles (ICBMs), submarine-launched ballistic missiles and heavy bombers and to restrict the number of warheads on these systems to 6,000.

However, the Soviet side had refused to discuss the US proposal to flesh out this provisional agreement with sub-limits.

- On medium range nuclear weapons, where a provisional agreement was reached in Reykjavik on the elimination of all longer-range INF missiles in Europe and their restriction to 100 each in Soviet Asia and the US by 1991, US officials indicated that the Soviet delegation had not confirmed either the accord itself or the accompanying agreement on verification procedures.

The US had also proposed that shorter-range nuclear missiles, which particularly worry its European allies in the event of an elimination of all medium-range weapons in Europe – should be restricted at, or below, the current Soviet level and that the US would have the right to the same number. However, Mr Shultz said he understood the Soviet Union's view to be that Moscow's present "monopoly" in such weapons should be frozen.

- Regarding the controversial Star Wars problem, Mr Shultz set out the familiar US position that, while it was prepared strictly to observe all the provisions of the 1972 Anti-Ballistic Missile Treaty (ABM) for 10 years, at the end of this period both sides should be free to deploy space defences.

Kohl defends Reagan on SDI, Page 24

Lawson plans £10.2bn spending rise to boost poll chances

BY PHILIP STEPHENS, ECONOMICS CORRESPONDENT, IN LONDON

THE BRITISH Government announced plans yesterday for a big increase in public spending in what was seen in Westminster and London's financial markets as a clear attempt to boost the Government's electoral standing.

Extra money will be spent on education, social security, health and housing – adding more than £10bn ($14.2bn) to previous spending targets over the next two years.

Mr Nigel Lawson, Chancellor of the Exchequer, said in his Autumn Statement that he had allocated an extra £7.5bn to government spending departments in 1987-88, the last financial year before a general election. In the following year the departments will get an extra £8.1bn.

Mr Lawson said that the additional outlays would add £10.2bn to spending totals over two years. The remaining allocations will be financed from the Treasury's contingency reserve against unforseen expenditure.

The Chancellor of the Exchequer announced that the Government was dropping its previously announced intention to hold public spending roughly constant in real or inflation-adjusted terms. Instead it was now expected to increase by 1¼ per cent a year.

Predicting an upturn in the economy next year, Mr Lawson said that the public spending increases were consistent with the Government's "prudent" financial policies. He said that public borrowing would not be allowed to rise as a result.

Mr Roy Hattersley, the Labour Party's Treasury spokesman, accused the Government of "buying votes" with the public spending increases.

He said: "The sick, homeless and parents will wish there is a general election every year. They will also wonder why they have waited so long. And they will not believe that the sudden change of heart and sudden change of judgment could possibly survive a Tory election victory."

The Chancellor of the Exchequer said that as a proportion of economic output, the public sector borrowing requirement would remain at 1¾ per cent next year, equivalent to the £7bn borrowing requirement predicted for the current financial year.

He hinted that the increases in public spending might reduce his scope for reductions in income tax in the run-up to the general election.

"A pound cannot be used twice...

Continued on Page 24

Detail and analysis, Page 12-16; Editorial comment, Page 22; Lex, Page 24

MAIN POINTS OF CHANCELLOR'S STATEMENT

- Spending: Public spending total in 1987/88 set at £148.6bn ($209bn) £4.7bn higher than previously planned.
- Asset sales: Government expects to raise £5bn in each of the next three financial years from sales of state-owned assets.
- Borrowing: PSBR target for current 1986-87 financial year remains at £7bn.
- Tax cuts: No specific forecast made by the Government but MTFS assumes "fiscal adjustment" of £2bn in 1987-88, £4bn in 1988-89 and £3bn in 1988-89.
- Education: Spending provision increased by £2.2bn in 1987/88 and by £2.8bn in the following financial year.
- Health and social security: Spending on social security expected to be £1.7bn higher than originally budgeted for in each of the next two financial years.
- Defence: Spending set £20m below previous plans in 1987-88 and £10m below in the following year, because of savings on Falklands garrison.
- Output: 3 per cent growth expected next year after 2½ per cent in 1986.
- Balance of Payments: The current account is expected to show a deficit of £1.5bn in 1987 after zero balance in 1986.
- Prices and earnings: Retail price inflation forecast at 3¾ per cent in the fourth quarter of 1987 compared with 3¼ per cant in the last three months of this year.

Moscow expects bumper harvest

By Patrick Cockburn in Moscow

THE SOVIET UNION announced yesterday that its grain harvest for this year is expected to reach 210m tonnes, a near record figure, which is bound to reduce Moscow's need for grain imports.

Mr Yegor Ligachev, the number two in the ruling politburo, told a rally in the Kremlin that the figure was 30m tonnes more than the average harvest over the last five years. Last year's harvest was 191.6m tonnes.

The harvest is good news for Mr Mikhail Gorbachev, the Soviet leader, reducing the need to import grain at a time when Soviet export revenues have been sharply cut by the drop in the oil price.

The grain harvest is well above estimates by the US Department of Agriculture (USDA) which had forecast a total harvest of 180m tonnes in 1986. The underestimate is in contrast to the accuracy of USDA forecasts over the last five years which the publication of previously secret Soviet grain figures show to have been entirely accurate.

The good harvest this year comes as a result of good weather in the late summer and autumn which made up for a drop earlier in the year. Good harvests have previously been reported from the Ukraine, the north Caucasus and the so-called virgin lands of North Kazakhstan where there was a record harvest of 28m tonnes. This year's harvest is the best in Soviet history with the exception of 1978 when it totalled 237m tonnes.

Continued on Page 24

Moscow exposes vital statistics, Page 2

Fiat declared victor in battle for Alfa Romeo

BY JOHN WYLES IN ROME

THE FIAT group was last night declared the victor over Ford in the protracted battle to win control of the illustrious but struggling Alfa Romeo car company.

After a detailed analysis of the rival bids, IRI-Finmeccanica, the Italian state group which controls Alfa, confirmed last night that the odds-on "national" favourite had, indeed, secured the judges' decision.

"The Fiat proposal was thought more economically advantageous in the light of the judgments made by the experts at First Boston and Arthur D. Little," said Professor Romano Prodi, the IRI president last night, referring to the consultants called in to advise on the competing proposals.

He added that the Government had been informed that IRI was accepting Fiat's offer to acquire full 100 per cent control of Alfa.

Mr Alex Trotman, president of Ford of Europe, issued a statement hinting at exasperation within Ford at the outcome. He pointed out that Ford's offer had been made "after we were asked if we could assist Alfa Romeo."

He said that Ford's offer "was based upon a detailed business and labour evaluation that was conducted with great thoroughness over a period of several months, and we believe that it represented not only a realistic recovery plan for Alfa Romeo but also a financially sound investment for Ford."

Since the Fiat bid was the choice most strongly desired by a majority of politicians and trade union leaders, the Government's endorsement is a formality which will follow a meeting of the Cabinet's industrial policy committee this morning.

The expanded Fiat group will become a very close rival to Volkswagen-Seat for the top position in the European car market with a share of around 14 per cent. Its annual turnover will be above L31,000bn ($21.7bn) and if its ambitious plans for Alfa succeed it could be producing around 1.5m cars by 1990.

Fiat plans to create a new company bringing Alfa together with its Lancia subsidiary and producing 600,000 cars a year by 1991. Its aim is to develop a major presence holding around 24 per cent of the European medium and luxury car market and selling an additional 60,000 cars a year in the US.

The Turin company, whose interests also extend to engineering, aerospace and robotics, has promised a total investment of up to L8,000bn by 1995. Its commitment would cover Lancia's and Alfa's losses until the new companies' projected breakeven in 1990.

Although IRI did not offer public explanation for its decision, it seems that the Fiat offer was superior to Ford's in three important respects.

General Motors, the largest US care maker, yesterday announced plans to close 11 assembly and metal manufacturing plants employing 29,000 workers over the next few years, in a move that will make fixed cost savings of $500m a year. Page 24

South Africa alleges Machel, Mugabe plot to topple Banda

BY ANTHONY ROBINSON IN JOHANNESBURG

MOZAMBICAN Government documents which it is alleged were found at the scene of last month's air crash in which President Samora Machel died indicate that Mozambique and Zimbabwe were planning economic sabotage and a military campaign to topple Malawian President, Dr Hastings Banda, Mr Pik Botha, the South Africa Foreign Minister claimed last night.

There was no independent verification of the authenticity of the documents. But asked about the possibility of forgery, Mr Botha replied: "The style, the language, the binding, the stationery, the handwritten notes, it's all there."

Brandishing the yellow covered 28-page document said to be an official transcript of a meeting in Maputo on October 16 between Mr Machel and a nine member Zimbabwean delegation, Mr Botha said he was "dismayed, shocked and disappointed" at its contents and the light it shed on the late president.

The document makes clear that the action against Malawi was conceived mainly to prevent South Africa using the country as a base from which to support the rebel Mozambique National Resistance (MNR), which is attempting to overthrow the Marxist government.

Mozambique has frequently accused Malawi of assisting the rebels, said to receive substantial support from Pretoria.

Relations between the two countries deteriorated sharply last September. Following talks in Malawi with Dr Banda, President Machel warned that if he continued to support the MNR, Mozambique would close the border, cutting off Malawi's shortest route to the sea and instal missiles along the border.

Such an economic blockade would almost certainly have invited retaliatory action from South Africa. Malawi is the only African state which has diplomatic relations with Pretoria, which is its most important trading partner, and President Banda has stayed aloof from moves to impose sanctions against South Africa.

In a key passage, the document released by Mr Botha states: "Mozambique and Zimbabwe must bring into being a new force in Malawi. Banda is worn out. We must not allow South Africa to set the course in Malawi, or allow the English, Americans and Germans to choose the Malawi leaders. The army knows how these things must be done."

The pro-Western Dr Banda, who has led Malawi since independence in 1964, is in his late eighties.

Mr Botha told a press conference in Pretoria that the Malawi Government had been informed of the documents, and official messages had also been sent to Zimbabwe and Mozambique. South Africa particularly wanted to know if Mozambique's new president, Mr Joaquim Chissano, supported the alleged plot to overthrow Dr Banda, said Mr Botha.

Asked whether South Africa planned more drastic representations to the two governments, Mr Botha replied: "I think they have a pretty good idea of how far they can go without tempting real trouble."

CONTENTS

EUROPEAN NEWS

Hundreds of hopefuls seek place in Vienna limelight

BY PATRICK BLUM IN VIENNA

THE Conference on Security and Co-operation in Europe ends its first week here today overshadowed almost entirely by superpower diplomacy.

In the muscular propaganda battle between the United States and the Soviet Union over nuclear disarmament and the meaning of the Reykjavik summit, the conference's purpose appears to have been lost.

Lost also were the hundreds of sad and occasionally impatient men and women eager to draw tha attention of the world's press to the plight of an exiled son or daughter, to the tragedy of a family broken up by heartless and rigid emigration controls, or to the fate of imprisoned dissidents, whose only crime was to hold views incompatible with those of their countries' rulers.

Not all those seeking attention are without ulterior motives and many have grown bitter after spending years of effort to overcome political and buresucratic obstacles. Some represent barely disguised political fronts deeply opposed to communism, others obscure governments in exile which can at times consist of one man and an address in Paris, Toronto or sydney.

All have in common a desire to communicate, and the Vienna meeting which is also about the free flow of information offers an opportunity to do just that. Whether they will be successful in their endeavours is another matter, but hopes are raised and there are examples demonstrating that pressure in individual cases can succeed.

Senior Soviet officials stung by repeated questioning at news conferences have already promised to look into some cases. They also announced new legislation from January 1 to facilitate travel abroad on personal and health grounds.

Not everyone is convinced. Critics of the Helsinki process, of which the Vienna conference is part, say it has achieved little. Mr Vladimir Bukovsky, released from a Soviet jail 10 years ago, argues that the Helsinki Accords should be scrapped since they are ignored by the Soviet Union and its allies.

In contrast, Mr Yuri Orlov, founder of the Helsinki monitoring group on the Soviet Union and recently released in exchange for Mr Nicholas Daniloff, believes the process remains valuable.

Both spoke this week at an alternative forum not far from the plush halls of the Hofburg Palace where the conference is taking place. Several hundred politicians, writers, religious leaders, peace activists and representatives from independent organisations from East and West took Vienna by storm this week to publicise their causes.

In the course of the next months they will cootinue to shadow the conference making sure that they are not forgotten. Meanwhile, all this week delegates and journalists have been met near the Hofburg entrance by a group of orange-clsd Buddhist peace activists whose incessant beating of drums provided an eerie backdrop to the debate on human rights insida the conference hall.

Airlines queue for take-off between UK and Netherlands

BY LAURA RAUN IN AMSTERDAM

A FIERCE battle for the skies between the Netherlands and Britain has broken out with four more airlines expected to receive permission soon to fly between the two conntries.

That would raise the total number of carriers between tha Netherlands and Britain to 19, a three-fold increase in three years and probably the most between any two European countries.

The 1984 "open skies" deregulation treaty between the two countries has unleashed a wave of companies wanting to exploit the rapid growth in passengers, gaps in tha major airlines' service and cheaper aircraft through leasing arrangements.

The Dutch aviation authority hopes to decide by November 14 on pending requests from Schreiner Airways, Air Classic and Air Holland of the Netherlands, while the UK's Civil Aviation Anthority is to decide soon on Highland Express of Scotland. At least another three airlines already have asked for permits to serve the short take-off and landing airport scheduled to open next year in London's docklands.

Much of the competition centres on the Amsterdam-London route, the second busiest in Europe behind London-Paris, and one of tha fastest growing. The number of passengers in the first few mooths of this year is believed to have continued to rise at the previous year's 5 per cent pace, after jumping 16 per cent in 1984.

Seven carriers now serve the route, two having started in recent months boping to siphon off some of the lncrative business travel from KLM, British Airways, Britisb Caledonian, Air UK and Netherlines. In June, British Midland launched its "Diamond Class" service for business travellers with a cbeaper fare, but it has sinca raised it apparently due to disappointing traffic.

But the fare war really heated up with the launch of scheduled services by Transavia, the charter airlina subsidiary of Nedlloyd, tha Dutch shipping concern. Aiming to get off to a fast start, Transavia slashed fares by half for business and economy classes, forcing KLM to do the same for its London-Gatwick flights.

In a somewhat embarrassing anomaly KLM'a business passengers now can fly round-trip to Gatwick for Fl 367 (£111) only half of tha fare to Heathrow.

It is the regional routes, however, that have attracted some of the most entrepreneurial minded companies. Air Classic, one of those hoping to be given the nod next week, touts itself as tha "Frisian airline" on which cabin crews will speak Frisian — a melange of Dutch and Danish. An aircraft leased from British Air Ferries will belp keep down costs.

Suckling Airways, which began flying between Ipswich and Amsterdam last spring, is an Ipswich-based company run by a busband and wife team. An onboard feature is home cooked meals.

KLM, the Dutch flag carrier, is not taking stiffer competition lying down, however. Among its most potent defences is access to its extensive and bighly efficient reservation system, a privilage recently denied to Natherlines, a regional Dutch airline founded in 1984.

As in the US, where deregulation has decimated some airlines, a measure of consolidation is expected among tha Dutch and British carriers. Nedllyod is corrently negotiating to take over Natherlines and merge it with Transavia.

Moscow exposes some vital statistics

By Patrick Cockburn in Moscow

THE SOVIET UNION has started to publish more statistics about health, economy and population in an evident shift of policy away from the concealment of figures which showed Soviet performance lagging behind other countries.

Moscow recently published figures for its grain output which had been kept secret since 1980, ostensibly for commercial reasons, but almost certainly because of embarrassment at a succession of poor harvests.

The secrecy over grain production was in any case largely nominal since the estimates of the US Department of Agriculture (USDA) turned out to be very accurate. The USDA estimate for 1985 was 190m tonnes compared to a Soviet figure of 191.6m revealed last month. Yesterday Moscow announced a near-record 1986 harvest of 210m tonnes.

Moscow also decided to reveal infant mortality rates for the first time in 12 years. These had been the subject of academic studies in the West showing a dramatic increase in tha death rate among children under the age of one.

In fact, the Soviet figures show that infant deaths rose from 24.7 per 1,000 births in 1970 to 27.9 per cent in 1974 and then fell back to 26 per cent last year. One explanation for the deterioration in the 1970s is that the figures were either fraudulent then or figures from Central Asia and outlying parts of the country only started being scientifically collected at that time.

The greater openness on adverse statistics is connected to a government campaign against fraudulent figures produced by factories, ministries and whola republics. Mr Semyon Grossu, the Communist Party leader in Moldavia, was admonished for fiddling figures last month. The party in Moscow said that at one in avery five enterprises in Moldavia inspected this year the production figures had been falsified.

The extent to which fraud was previously practised was underlined in tha Soviet cotton growing republic of Uzbekistan where the raw cotton production was systematically exaggerated over a five year period by between 500,000 and 900,000 tonnes up to 1985. The Uzbek cotton minister of the time has been sentenced to death.

The collection of accurate figures is vital for the Soviet leadership because of the stress now being placed on accurate cost accounting, an adequate return on assets and profitability. This means that output and other figures, previously unquestioned, are now coming under real scrutiny for the first time.

Employers, unions back EEC 'growth strategy'

BY QUENTIN PEEL IN BRUSSELS

EUROPEAN employers, trade union leaders and public sector representatives yesterday gave their joint backing to the "co-operative growth strategy" for tackling unemployment proposed by the European Commission.

The aim of the strategy is to win union support for slower growth in wages, in return for a commitment from the private sector to boost investment, and from the EEC member states to expand economic demand at a faster rate.

Broad agreement between the three sides of industry was reached yesterday on the eve of a meeting between employers, trade unions and EEC employment ministers in Brussels today, also intended to tackle the whole question of unemployment and job creation.

Union leaders believe they have prevented an attempt by the British Government – whose Employment Minister, Mr Kenneth Clarke, is in the chair of today's talks – to claim support for its own alternative job strategy.

This would put the emphasis much more strongly on promoting small businesses, self-employment and labour market flexibility, and much less on stimulation of demand.

The Standing Committee on Employment which meets today will concentrate its discussions on a European Commission paper on unemployment, and the conclusions drafted by British officials will draw on that document, rather than the alternative plan put forward by the UK, Ireland and Italy.

Yesterday'a meeting of representatives from UNICE, the European employers' organisation, the European Trade Union Confederation (ETUC), and CEEP, the public sector employers, gave broad approval to a 10-point strategy drawn up by the Commission.

The essence of the strategy is to keep the growth in wages below the growth of productivity, in return for a commitment by employers to step up the rate of investment.

The agreement also calls for an expansion of public sector investment – particularly infrastructure spending – wherever budgetary constraints allow.

Focus on corruption for Maltese elections

BY GODFREY GRIMA IN VALLETTA

CORRUPTION among Maltese politicians is rapidly becoming an important election issue as charges of misconduct fly thick and fast. The electorate has been amazed at the extent to which politicians inside the Government and opposition camps have been cheating on their tax returns.

The campaign of mud-slinging gathered momentum after opposition Nationalist Party leader Dr Eddie Fenech Adami published an income tax return filed by the island's Minister for Public Works and Sport, Mr Lorry Sant.

The return showed Mr Sant's total income in 1985 was M£5,201 ($13,518); equivalment to his annual ministerial salary.

The object of publishing the tax return of Mr Sant – a key Government member whom the Opposition, in its newspapers, associates with ostentatious wealth – was to bring into question the Minister'a real tax liability.

Mr Sant replied by making public a stream of returns filed by Opposition MPs. He revealed that shadow ministers appeared to have resorted to every trick in the income tax book, including making interest-free loans to friends and members of their families, to limit their tax dues.

Newspapers and state-controlled radio and television bave followed up the disclosures enthusiastically. Some MPs were shown to hold substantial bank holdings at homa and abroad while paying minimal tax.

The controversy shows no signs of ending and yesterday, at a news conference, Dr Adami brushed Mr Sant's allegations aside by insisting that he was merely trying to wriggle off the hook.

He said "tens of thousands of pounds" had changed hands in the issue of building permits from Mr Sant's ministry. He added that his party was planning to move a draft Bill in Parliament which would reprieve those giving first-hand evidence on corruption within the Government.

For the moment, at least, corruption seems to have overtaken every other issue as the island approaches next year's general election.

Denmark's GDP 'may fall by 2%'

By Hilary Barnes in Copenhagen

DENMARK'S gross domestic product may fall in 1987 by as much as 2 per cent, according to forecasts by several Danish banks.

Their pessimistic view is supported by the industrial deliveries and orders indices for the third quarter. These indicate that delivery volume was unchanged compared with the same period last year, while export volume fell 5 per cent or 6 per cent.

The deliveries index is the nearest thing that Denmark has to an industrial output index.

The most recent forecasts by the Government point to an increase in production next year of slightly less than 1 per cent. Since 1983, the GDP has increased at an average annual rate of about 3½ per cent.

Economists at Jyske Bank forecast a 2 per cent fall in GDP next year and at Andelsbank a decline of 1 per cent is predicted.

Spanish Premier opposes Falklands zone

BY TOM BURNS IN MADRID

Mr Felipe Gonzalez, was reported yesterday to be opposed to the 150-mile Falklands conservation zone where there is an increasing presence of Spanish fishing vessels.

At a news conference for Latin American correspondents, Mr Gonzalez, who will be travelling at the weekend to Ecuador, Peru and Cuba, said Spain "will not take any legal steps that could lead to the suggestion that Spain recognises any sovereignty over the Malvinas (Falklands) that is not Argentine sovereignty."

Asked whether Spain would not therefore be seeking licences for its vessels fishing in the conservation zone, Mr Gonzalez said: "That is exactly the conclusion of the principle I have been trying to explain."

Since Spain has never recognised British sovereignty over the Falklands, the logical extension of the Spanisb position is to not recognise the 150-mile zone that was recently announced by Britain.

Spain's attitude is coloured by the Gibraltar dispute with Britain and is reinforced by the close friendship between Mr Gonzalez and Argentina's President Raul Alfonsin.

Argentina's Under-secretary for Foreign Affairs, Mr Jorge Sabato, who was in Madrid yesterday said he "deeply appreciated" Mr Gonzalez's stand. Argentina was looking for Spain to represent her interests in the EEC, he added.

The policy, as restated yesterday by Mr Gonzalez, will cause embarrassment both in the EEC and in Nato,

The Spanish position also raises problems for the trawler fleet based in Vigo which fishes in tha conservation zone. The trawlers are now left with the option of appling for licences and defying the Government, of fishing illegally and defying the Royal Navy or of giving up an extremely lucrative business.

Mr Enrique Lopez Vega, executive director of the Vigo Trawlers' Association, said yesterday that ba was "not in disagreement with the British decision to impose a conservation zona and insist on licences."

Vigo trawlers comprise the third largest fleet in the conservation zone after the Russians and the Japanese. This year 36 Vigo vessels, each one of them representing an investment of Pta 800m (£3m) and with 60 crew aboard, have spent three months in the Falklands area against 29 last year and 21 in 1983.

Mr Lopez Vega stressed that the Spanish trawlers had alwaya been "humanely and belpfully" received in the Falklands (on occasions the RAF has ferried bome sick seamen). The sole problem in the area was the one posed by East bloc fleets which, be claimed, were breaking tacit agreements and hlatantly fishing squid, the area's main catch, for export.

West German decision on reprocessing

By Our Bonn Correspondent

WEST GERMAN electricity ntilities have decided against taking a stake in a Belgian reprocessing plant, in order to avoid giving the impression that the country is backtracking on its own controversial reprocessing plans.

The Deutsche Gesselischaft fuer Wiederanfarbeitung von Kernbrennstoffen (DWK), the company owned by major utilities which is in charge of West German plans for disposing of spent nuclear fuel, said it took the decision to underline its "corporate priority" of building the country's first large-scale reprocessing facility at Wackersdorf in Bavaria.

That plant, which would separate burnt uranium fuel from West German nuclear plants into plutonium and re-usable uranium, has become a potent focus of protest for the anti-nuclear movement. DWK this week had considered taking a possible 20-25 per cent stake in a reprocessing plant in Mol, Belgium, which is being reactivated for use in the 1990s.

Wackersdorf, with a planned treatment capacity of 350 tonnes of fuel a year, is proposed to go into service in 1995. The West German Government has stood firmly behind the reprocessing plans, in spite of the present unfavourable economics of the plutonium industry, in order to increase the country'a nuclear expertise and avoid undue reliance on French reprocessing capability.

The DWK decision comes in the midst of a political row over the nuclear fuel element plant of Alkem, one of West Germany's main nuclear companies handling plutonium.

UN envoys to visit Ankara and Athens

BY ANDRIANA IERODIACONOU IN ATHENS

TWO SPECIAL United Nations envoys on Cyprus who arrived in Nicosia yesterday to promote a peace initiative for the divided island, are also to pay a one-day visit to Ankara and Athens next week, according to UN officials.

This will be the first time UN envoys have travelled to Greece and Turcay to discuss the Cyprus issue since the late 1970s.

Mr Gustav Feisal, UN Under-Secretary General for Special Political Affairs, and Mr Marrack Goulding, head of the UN peacekeeping operation, will be making a new bid on behalf of Mr Javier Perez de Cuellar, the UN Secretary-General, to bring the Greek and Turkish Cypriots around the negotiating table to discuss the details of n two-zone federal settlement for Cyprus.

Some 37 per cent of the island has been under Turkish occupation since 1974 when Turkey invaded in response to a Greek military coup.

The key question to which nobody had the answer yesterday was whether the two men had arrived in Nicosia with a new UN draft plan

A federal settlement plan presented by the UN Secretary-General last March was accepted by the Turkish Cypriots but rejected by the Greek Cypriots who claimed that it did not deal adequately with the key issues of the withdrawal of the Turkish occupation troops: international guarantees for the settlement; and the freedom to travel, settle and own property throughout the proposed federal state.

Since September, the Secretary-General has sought to bring the Greek and Turkish Cypriots together in a summit meeting

Italian Treasury seeks 20% cut in spending

BY JOHN WYLES IN ROME

THE ITALIAN Treasury is to seek 20 per cent cuts in the spending plans of individual ministries in order to finance concessions negotiated with the unions on Tuesday.

A spokesman said yesterday the savings would be about L1,000bn (£497m) and the Government's target deficit for 1987 of L100,000bn would not be threatened.

The changes agreed by the Government to its 1987 budget proposal bought off a threat of a general strike issued by the three main union confederations.

These concessions cast some doubt on tha Government'a determination to achieve real economies in social spending. Under pressure, ministers hava extended the family allowance system at a eost of L420bn and abolisbed payments by patients consulting bealth service specialists and diagnosticians. This will eost an extra L450bn in a full year.

A further L1,500bn will be found over the next three years to finance the restoration of differentials in public service salaries which have been badly squeezed in recent years by flat-rate indexed pay rises.

● An official committee investigating the collapse last year of a dam in the village of Stava in the Italian Dolomites has charged the designers, builders and engineers who constructed the dam 25 years ago with errors whicb are said to have caused the collapse. The disaster caused a mudslide which killed more than 260 people. writes Alan Friedman in Milan.

Prices frozen in Greece until end of January

GREECE'S Socialist government said yesterday it was freezing the prices of all goods and services until the end of January 1987, Reuter reports from Athens. A government announcement said tha freeze was being imposed because prices had begun rising ahead of the introdnction of Value Added Tax in Greece on January 1.

It said tha prices of all locally produced and imported goods as well as all services would be kept at the levels of November 4

Diplomats said the price freeze was likely to please the Communist party, which has criticised Prime Minister Andreas Papandreou for severely restricting wage rises while allowing prices to soar. Tha wage curbs, introduced in October 1985, are part of a tough two-year economic austerity programme aimed at cutting Greece's record $3.3bn current account deficit, 25 per cent inflation and foreign debts of $15bn.

Andriana Ienodiaconou adds: The Greek Finance Ministry announced yesterday that products and services will be subject to three basic Vat rates of 6, 18 and 36 per cent when the tax is introduced

Mr Dimitris Tsovolas, the Finance Minister, assured consumers that the authorities would not attempt to use the introduction of Vat to achieve a disguised increase of indirect tax revenue.

The 6 per cent rate will apply to just under half the products on the Greek market including basic meat, dairy and vegetable foodstuffs, the 18 per cent rate will apply to most remaining products and services, while the 36 per cent rata will apply mainly to luxury goods.

Oil stocks rise further

BY LUCY KELLAWAY

A SURPLUS of about 3.5m barrels of oil a day was supplied to OECD countries during the third quarter, says the Paris-based International Energy Agency in its monthly oil report published today. Of this, some 2m represents a rise in stocks, but the rest is unaccounted for and, according to the IEA, may be due to stocks held at sea, or to errors in calculations.

However, the unaccounted portion is lower than in previous estimates, as the oil at sea is gradually arriving at its destinations, and is reflected in higher stocks.

During the third quarter beavy stockbuilding of oil continued. The IEA estimates that for the year as a whole stocks have risen on average by 700,000 b/d, although early figurea for the fourth quarter show that stocks are being run down.

Third quarter demand for oil rose by about 3 per cent, compared to 4.5 per cent during the second. Tha increase was due mainly to higher consumption of petrol and to unusually heavy consumer stockbuilding of heating oil, leaving stock levels 9 per cent higher than a year ago. Oil demand for the rest of this year and for the first half of next is forecast to rise at about 2.5 per cent.

Opec oil production since the temporary production ceilings took effect at tha beginning of September has been within quota, the IEA says, and is expected to remain at 17m b/d until the end of tha year.

Soviet military pledge to ANC, claims Tambo

By Our Moscow Correspondent

THE Soviet Union has promised military support for a guerrilla offensive against the South African Government, Mr Oliver Tambo, leader of the banned African National Congress (ANC) said hera yesterday.

Mr Tambo, who met Mr Mikhali Gorbachev, said: "We discussed forms of diplomatic support and material assistance and training for our cadres. Material assistance must include, wherever possible, tha supply of weaponry."

The ANC would step up its military attacks soon, he said, with the aim of toppling the Pretoria Government.

During his talks this week, Soviet leaders had always shown readiness to help, he said. The ANC would probably set up an office in Moscow in the near future but it was not clear if this would have full diplomatic status.

Speaking of the promised guerrilla campaign, Mr Tsmbo said: "We have embarked on a process which is now irreversible, unstoppahle." He believed tha South African Government was involved "in a deep crisis" from which it could not extricate itself.

Alan Friedman in Milan reports on a shrewd attempt to secure the release of hundreds of alleged criminals

Mafia trial prompts Italian parliament to plug legal loophole

"EVERY MUP must assume his individual responsibility. Unless this legislation is approved immediately, then a number of defendants in the Mafie trial will go free in a few days."

This was the way one Italian Government Minister summed up tha need for emergency legislation this week assigned to prevent alleged Mafiosi from being allowed to walk from prison. The legislation comes at a crucial moment in the long-running "maxi-trial" of 468 alleged Mafia bosses, financial men and suspected killers.

The trial, which is being held in a apecially-built "bunker" courtroom inside a maximum security prison in Palermo, got off to a dramatic start last February, with much shouting from the hundreds of defendants locked inside 30 steel cages in the courtroom.

Now, as a result of clever tactics by the dozens of highly paid lawyers for the suspected Mafia men, there is a very real daneer that without special legislation from Rome, the entire 468 could be freed, the reason concerns the periods of time suspects may be held in preventive custody.

Under Italy's archaic judicial system, where the concept of habeas corpus does not exist, suspects may be arrested and detained for years without being charged or brought to trial. But there are loop-holes in tha system, which might have seen about 20 alleged mafiosi freed tomorrow and the rest of the suspects in Palermo walking free next May 8.

The lawyers for the Mafia suspects have shrewdly demanded that the Palermo court must have 700,000 pages of documentation read aloud during the trial. If this mass of paper were read out, it would certainly mean that the trial would have mada no more progress by next spring, when the mafiosi could be freed.

The response from tha Rome Government has been swift and surprisingly efficient. Mr Virginio Rognoni, the 64-year-old Christian Democrat Justice Minister, who as Interior Minister in the late 1970s took on

Defendants sit in cages around the courtroom in Palermo

the Red Brigade terrorists, has come out fighting. His comment on the prospect of Mafia suspects going free as a result of a legal anomaly was this:

"It is a dangerous and unacceptable situation which must be altered immediately by emergency legislation."

The result is that the Italian Senate 10 days ago approved an amendment which would prevent the release of suspects this weekend. The Chamber of Deputies followed suit on Wednesday evening.

Mr Rognoni, meanwhile, has told the Cabinet ha will shortly present new legislation designed to ensure that days spent on trial cannot be counted as part of preventive custody.

The effect of this law, which Mr Rognoni hopes to see approved by Christmas, would render the lawyers' tactics futile: Reading 700,000 pages of documents would delay tha Palermo trial, but the defendants would not be set free next May.

Step backward

The emergency legislation which Mr Rognoni is now steering through parliament is not exactly a civil libertarian's dream. In some ways it represents a step backward for an already anachronistic judicial system.

But among the alleged mafiosi on trial in Palermo is Mr Michele Greco, the man thought to be the ultimate Sicilian godfather. Also on trial is Mr Luciano Liggio, said by magistrates to be part of one of the most brutal and powerful of the Sicilian clans, the Corleonesi, named after the town of Corleone where it is based.

Tha defendants also incloda Mr Pippo Calo, said to be the Mafia's finance director, in charge of banking, laundering, and the investment of something like $10bn a year in revenue from sales of heroin.

Dozens of other men are charged with more than 90 murders including tha traumatic 1982 assassination of General Carlo Alberto Dalla Chiesa, the special high commissioner against the Mafia.

In this light, one can see why Palermo magistrates and Rome Government officials are keen to avoid seeing these men let out of jail on a technicality.

"We are in a war and we wera just starting to make soma progress. It would be a tragedy were we to let the lawyers destroy this trial," remarked one Palermo magistrate. His view, under tha circumstances, is not hard to understand.

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OVERSEAS NEWS

Aquino closer to ceasefire with Communist rebels

BY SAMUEL SENOREN IN MANILA

THE GOVERNMENT of President Corazon Aquino of the Philippines moved closer with Communist rebels to signing a temporary ceasefire agreement, probably during the weekend, as major differences were thrashed out during crucial negotiations in Manila late on Wednesday.

The truce, which will be the first since the Communist New People's army started fighting in 1969, is expected to last 60 days effective from early next month. The Communist representatives, the National Democratic Front (NDF), had proposed a 100-day truce.

Government negotiators offered to cut the truce period to 30 days, which could be extended by another 30 days, upon pressure from senior military commanders who feared the rebels might use the lull in the fighting to regroup their forces.

"We are closer than ever to coming to an agreement. When we sit down at our next meeting we will not stop until we reach an agreement," the chief government negotiator Mr Ramon Mitra said yesterday.

The Communists' offer for a ceasefire came after Mrs Aquino, under pressure from Mr Juan Ponce Enrile, her outspoken Defence Minister, announced she would end the negotiations if no substantial agreement was reached.

During the ceasefire, Mr Mitra's team and Communist negotiators are to continue discussions on how

Mrs Corazón Aquino

to permanently end the insurgency, which has cost thousands of casualties during the past 17 years.

A ceasefire would represent a major moral victory for Mrs Aquino whose "soft" handling of the Communist problem has come under heavy criticism from the armed forces.

There is doubt, however, if a lasting peace with the Communist is possible. Communist leaders have openly called for a sharing of power with the Aquino Government.

Mrs Aquino has adamantly refused the call, vowing she would not share power with the Communists while she was President.

Thai minister resigns

BY PETER UNGPHAKORN IN BANGKOK

THAILAND'S Commerce Minister resigned yesterday following a series of scandals including the alleged improper granting of import licences for logs from Burma.

Police Captain Surat Osathungrah denied improper dealings but, in spite of surviving a vote of no confidence in parliament last month, his reputation was damaged and pressure increased for his resignation.

The log import licences have since been withdrawn on the grounds that the logs would have been felled by minority Karen insurgents and that the Rangoon Government would have objected.

Mr Surat also issued controversial orders concerning the allocation of tapioca quotas for export to the European Economic Community. He was accused of disrupting trade and favouring certain traders. He denied this.

The Prime Minister General Prem Tinsulanonda, still appears securely in power. This week his appointed deputy Prime Minister replaced the Commerce Minister as chairman of the important rice policy committee which is preparing for the new marketing year.

Australian unions endorse pay policy shift

By Chris Sherwell in Sydney

AUSTRALIA'S trade union movement yesterday endorsed a shift of policy from full price indexation of wage increases in favour of a more flexible two-tier system of pay claims.

The decision represents a victory for the moderate leadership of the Australian Confederation of Trade Unions (Actu).

The Actu will fall back on the two-tier proposal as an alternative to full wage indexation at legal hearings on national wage increases for 1987.

Under the two-tier system, all workers would be expected to receive a minimum wage increase, while additional rises would be negotiated by unions at industry and company level.

The Labor Government of Prime Minister Bob Hawke supports the idea provided it does not lead to wage increases beyond the 6 per cent outlined in the August budget.

Singapore's 3.8% growth

By Steven B. Butler in Singapore

THE SINGAPORE economy expanded by 3.8 per cent in the third quarter, compared with the previous year. The government now predicts growth for the year at between 1 per cent and two per cent.

The recovery was led by a strong performance in the manufacturing sector, as well as in transport and communication, which grew by 11.9 per cent and 11.3 per cent respectively.

Financial and business services grew at 2.8 per cent, and commerce at 1.3 per cent. Constructure contracted by 28.1 per cent, reflecting the deep property glut.

Brig-Gen Lee Hsien Loong, the acting Minister of Trade and Industry, said: "Our recovery is still lopsided and uneven. The regional outlook is gloomy. Our performance compared to the other newly industrialised countries is mediocre. The competitive edge we have so far recovered is still narrow."

Japanese call not to undermine sanctions

BY IAN RODGER IN TOKYO

JAPAN'S Ministry of International Trade and Industry has asked importers not to undermine the economic sanctions imposed against South Africa by the US and European countries.

The written request was sent to 30 organisations, including the Japan Iron and Steel Federation, the Japan Coal Association and the Japan Foreign Trade Council.

Japan has already banned imports of iron and steel products, and therefore the request was aimed mainly at potential coal imports. The US has banned coal imports from South Africa.

The request is unlikely to cause distress among Japanese coal buyers since they are already planning to reduce imports because of weak local demand.

Miti's move came a day after a delegation of the Non-Aligned Movement led by Mr Witness Mangwende, the Zimbabwean Foreign Minister, visited Japen to urge it to impose comprehensive and mandatory economic sanctions against South Africa.

Mr Tadashi Kuranari, the Japanese Foreign Minister, rejected the call for mandatory sanctions on the grounds that they would lead to a deterioration of the South African domestic situation and make the government there more obdurate.

However, he said Japan had extended an invitation to Mr Oliver Tambo, chairman of the banned African National Congress, to visit Japan next spring and that it was preparing to send a study mission aimed at strengthening economic co-operation with South Africa's neighbouring countries.

Anthony Robinson on a meeting between politicians and industry

Botha gets down to business

BOTH BUSINESS and Government in South Africa are aware of the impossibility of separating political and economic issues. But that did not stop an embattled President P. W. Botha four months ago from telling the President of the Federated Chamber of Industries to stay out of politics when be criticised the re-imposition of the state of emergency.

Today, the Government and 200 business leaders meet in Pretoria to discuss future co-operation. After an opening speech by the President, the meeting will break up into ten working groups where both sides will discuss lengthy position papers on two main topics, the Government's privatisation plans and a draft long-term economic strategy.

Formally, politics is not on the agenda. But the position paper drawn up by the Economic Advisory Council, one of the main business/government liaison bodies, underlines the vital importance of normalising international financial relations.

It describes the seriousness of the banking crisis brought on by the refusal of foreign banks to extend new credits. It points out that without a normalisation of financial links and capital inflows it will be impossible for the economy to grow at the 5 per cent annual rate required to reduce unemployment.

Restoring South Africa's financial standing is inextricably linked however, it is believed to say, to the implementation of political reforms capable of attracting large-scale domestic support. While acknowledging the risks or reform, the paper is understood to underline the much greater risks involved in standing still.

The restoration of political confidence is presented as the vital prerequisite for successful implementation of a long-term economic strategy involving deregulation of business especially small and black business, a large scale urbanisation and black housing programme, privatisation and "inward industrialisation."

The letter hinges not only on import substitution and a search for new export markets but also on investment in downstream minerals development and manufacturing to obtain greater added value from the country's resources.

Despite business anger at perceived Government foot-dragging in vital areas like abolition of the Group Areas Act and other apartheid laws, and continuation of the state of emergency, the mood at today's meeting is not expected to be confrontational.

This is partly because sanctions, disinvestment and growing international isolation at all levels have reduced the options on all sides, but also because many of the Government's most vociferous business critics were either not invited or had other pressing engagements, some more genuine than others.

Prominent among the non-attenders are Mr Chris Ball, managing director of Barclay's National Bank, who was not invited, and Mr Tony Bloom, chairman of the Premier Group, who is in America. Mr Bloom, together with Mr Gavin Relly, chairman of Anglo American, who is abroad on business, is among those who defied the Government by flying to Lusaka to talk with African National Congress leaders in exile.

He has been prominent in demands to unban the ANC and negotiate with them and other black leaders. The need for such talks is widely, but not universally, accepted in business circles.

Most of those taking part in today's meeting believe however that confrontation on political issues leads only to intransigence in Pretoria. They believe that more can be achieved by a reasoned restatement of the intimate links between abolition of apartheid laws, restoration of political confidence and economic development.

At the same time, business leaders are expected to emphasise the role which business can play independently of Government to foster grass roots changes in attitude, in the country at large and in the workplace, by greater emphasis on black training and career opportunities up to management level and greater involvement in community issues.

Business commitment to putting its own house in order is spelled out in documents like the recent business charter drawn up by the Federated Chamber of Industries, which has over 10,000 members.

White business is keenly aware of the need to dilute, if not eliminate, the close identification by many blacks of apartheid with capitalism. It cannot afford to be seen to be co-operationg with the Government in creating a South African form of "corporate state" aimed at entrenching apartheid in the context of a siege economy.

Black scepticism is such that Nafcoc, the principal black business organisation, has refused to attend today's meeting. The gathering has also been attacked by the United Democratic Front and other anti-apartheid organisations, and in a message from Lusaka, the ANC has warned businessmen against co-operating with the Government to prop up apartheid.

Strikers at GM expected to return to work today

BY ANTHONY ROBINSON IN JOHANNESBURG

STRIKERS at the General Motors assembly plant at Port Elizabeth are expected to return to work today after police ordered them to vacate the plant just after midnight on Wednesday.

Union officials confirmed that strikers who had been occupying the plant for the last eight days left without force.

The strike followed GM's announcement that it was disinvesting from South Africa through a management buyout. The union is demanding severance pay but this has been rejected by GM on grounds that the buyout will not lead to unemployment.

● The Rand Supreme Court yesterday sentenced Ms Marian Sparg to 20 years in jail for treason and five for Anson after a trial at which the white former journalist pleaded guilty to bombing police stations and firebombing political offices as a member of Umkhonto We Sizwe, military wing of the banned African National Congress.

The Bureau for Information reported that one black man was shot dead and two others arrested in Soweto after police fired on crowds throwing stones at police vehicles.

Gabon in first deal with IMF

By Peter Blackburn in Abidjan

THE CENTRAL African state of Gabon, Opec's smallest producer, has reached preliminary agreement with the IMF on a medium-term adjustment programme, according to bankers and observers in Libreville.

The agreement, Gabon's first with the IMF, is expected to be officially approved in December, and rescheduling talks with official and commercial creditors belonging to the Paris and London "clubs" are expected to start early in 1987.

Despite an annual per capita GDP of $3,100, the highest in black Africa, Gabon has been severely hit by the collapse in the world price of oil, which provides some 80 per cent of export earnings.

The parallel sharp depreciation in the dollar-CFA franc exchange rate has magnified the country's financial difficulties.

GDP fell by 3 per cent in 1985 when Gabon recorded its first current account deficit for a decade. GDP is expected to fall by a further 25 per cent to about CFA franc 1,100bn ($3.1bn) in 1986.

The Government was obliged to suspend payments on official and commercial debt in mid-September. This included all official debt and principal repayments on commercial debt.

Gabon's public external debt is estimated at $1.2bn. Debt service, which accounted for only 13.6 per cent of export earnings in 1985, is due to rise sharply over the next few years as repayments on the $2.8bn Trans-Gabon Railway fall due and oil export earnings remain depressed.

With the price of Gabonese oil averaging $13 a barrel in 1986 – half last year's level – the Government has been obliged to slash investment and trim administrative expenditure.

US 'sent arms to Iran during past 14 months'

BY LIONEL BARBER IN WASHINGTON

THE US has shipped military cargo to Iran over the past 14 months as part of secret overtures to the Tehran Government aimed at securing the release of American hostages in Lebanon, according to reports in Washington.

President Ronald Reagan denied reports of a deal with Iran.

The overtures were reported to heve been conducted by top officials of the White House led by Mr Robert McFarlane, Mr Reagan's former National Security Adviser, and Lt-Col Oliver North, a member of the National Security staff and a key co-ordinator of US aid to the Contra guerrillas in Nicaragua.

Robert McFarlane: overtures to Iran

Mr Reagan said yesterday that the reports of a secret deal had no foundation.

"May I suggest and appeal to all of you with regard to this, that the speculation, the commenting on a story thet came out of the Middle East and that, to us, has no foundation—all of that is making it more difficult to get the other hostages out."

The Washington Post, quoting unnamed US intelligence officials, said Mr McFarlane, Lt Col North and others held talks with Iranians for more than a year in European cities and Tehran.

The talks included the Iranian need for "defensive" military equipment and for higher oil prices to restore financial stability to the regime.

Disclosures of the overtures and the reported shipment of military equipment to Iran have taken some diplomats in Washington by surprise. The US has a long-standing arms embargo against the Iranian regime led by Ayatollah Khomeini.

Diplomats said that the US may have loosened the terms of its embargo to cover the shipment of military goods through third-parties. It is also suggested that the hardware would have included spare parts rather than high-technology materials or weapons.

Iran badly needs spare parts and other basic military hardware to continue its war with Iraq.

Mr Larry Speakes, White House spokesman, said this week that the US arms embargo would remain in place "as long as Iran advocates the use of terrorism."

This appeared to leave open the possibility of change if Iran either agreed privately to soften its stance or, as seems likely, was willing to intervene on behalf of American hostages held captive by pro-Iranian Moslem extremists in Lebanon.

According to reports in Washington, US officials have sensed that Iran may hold more sway with some extremist factions in Lebanon than Syria, usually seen as a key player.

The reports said that Mr McFarlane and Lt Col North had travelled sometimes in disguise to Europe to meet the Iranians over a period of 14 months. This had resulted in the release of three US hostages, the last being Mr David Jacobsen on Sunday.

Mr McFarlane resigned as National Security Adviser last December following a long power struggle with the White House Chief of Staff, Mr Donald Regan.

Lt Col North is a shadowy White House figure who works on tha National Security Council staff. Some thought thet revelations last year about his role in giving military advice to Contra rebels in Nicaragua—when Congress had cut off direct US military aid—would prompt his return to the US Marines.

Venezuela shelves refining project

By Joseph Mann in Caracas

VENEZUELA'S national oil company, Petroleos de Venezuela, has decided to shelve a $933m flexicoker refining project.

The oil company and the Government apparently decided to put the project in mothballs until conditions on international petroleum markets change and until oil refining becomes a more profitable business worldwide.

The flexicoker is a refining unit used to convert heavy residual petroleum into high value, light oil products such as gasolenc and distillates. The unit, which uses Exxon technology, was to be installed at the Cardon refinery in western Venezuela, run by Maraven, a subsidiary of Petroleos de Venezuela.

The decision to cancel the flexicoker comes during a year in which Venezuela, whose economy depends heavily on oil exports, is absorbing a $5bn reduction in its petroleum earnings. This reduction in national income also has put pressure on the oil industry.

The Maraven unit was designed to process 69,000 barrels per day of residual components, and would have provided Venezuela's oil industry with greater flexibility in supplying foreign and domestic markets.

Venezuela has around 30bn barrels of proven crude oil reserves which include a large percentage of heavy oil.

The country also has the largest accumulation of heavy petroleum in the world in the Orinoco heavy oil belt.

Seaga 'not to stand down'

FOUR WEEKS of political uncertainty in Jamaica have ended with the decision of Mr Edward Seaga to withdraw a plan to resign as leader of the ruling Labour Party this month and as Prime Minister next August, Canute James reports from Kingston.

Mr Seaga said he had changed his mind about stepping down because "party supporters, organisations and people from all walks of life have placed me under severe pressure to reconsider in the national interest."

Window of opportunity opens for Democrats

Stewart Fleming in Washington reports on US reaction to the mid-term election results

THE Democratic Party has won a valuable opportunity to try to win support for its political agenda in the pivotal 1988 presidential election as a result of its success on Tuesday in regaining control of the US Senate.

But in the aftermath of its victory, the qnestion of whether it can exploit this opportunity has come to the fore in the American press.

"Can the Democrats be as effective an opposition to the Republican administration as the Republican-led Senate has been?" The Washington Post asked yesterday in its editorial on the mid-term elections in which the Democrats won a 55-45 majority in the Senate.

The Post argued that although Senate Republicans had encouraged Mr Reagan in "some of his most misbegotten ideas... intelligent Republican initiatives and/or resistance in the Senate have been e force for good."

It paid tribute to the effective leadership of the now deposed Republican majority leader of the Senete, Robert Dole, saying that he and his allies "made their weight felt in invaluable ways on everything from fiscal polcy to the Philippines and South Africa sanctions in the Reagan years.

The Post concluded: "The Democrats who are and are meant to be the real oppositon take over from pros."

Striking e similer theme in an editorial headlined "Opportunity for Democrats," the Wall Street Journal, whose conservative editorial line is at the other end of the political spectrum from the Washington Post, asked: "What kind of Democrat will infinence the party most as it shapes the agenda which it will offer the country in 1988?"

Noting the important gains the Democrats made in the South, a region of critical importance to both parties and one which has traditionally been dominated by conservative Democrats, the journal welcomed the fact that key Senate committees would be chaired by conservative southern Democrats such as Senator Sam Nunn of Georgia.

It implies that this will strengthen the hand of conservative Democrats at the expense of liberals and argues that "in the end it is still Ronald Reagan's ball that is now in the hands of the new Democratic majority."

The New York Times editorial says "what an error it would be, however, to look at Tuesday's election results and see only the resurgence of liberals."

Robert Dole: deposed as majority leader

Regional arguments are proving a problem, reports Bernard Simon

Canadian jet contract stirs tensions

A CONTRACT to service the Canadian Air Force's newest jet fighter has brought to the surface the regional animosities which edd real apice to Canadian politics.

Western Canadian politicians and businessmen are furious at a decision by the federal Cabinet to award the C$1.4bn (£713m) maintenance contract for 138 new CF-18 fighters to Canadair of Montreal, rather than Winnipeg-based Bristol Aerospace, whose lower tender bid was recommended by the armed forces.

The fevoured treatment given to the Quebec company has reminded western and eastern Canadians that their political infioence in Ottawa pales besides that of thc industrial heartland of Ontario and Quebec. Voters in the two populous central provinces elect 60 per cent of federal Members of Parliament.

After an acrimonius meeting with Mr Brian Mulroney, the Prime Minister, earlier this week, Manitoba's Premier Mr Howard Pawley noted thet any of the other eight provinces could find their interests being sacrificed for the sake of political edvantage in Ontario and Quebec.

Coming on the heels of the slump in oil and gas prices, last year's failure of two Alberta banks and the financial troubles of prairie grain farmers, the CF-18 contract has also underlined the wide disparity between tha economies of Canada's wealthy industrialised centre and of the resource-rich but income-poor extremities.

The federal government in Ottawa insists that the eward of the CF-18 contract to Canedair was in the national interest. The Quebec company is Canedian-owned (Bristol is e subsidiary of Rolls-Royce, the British cngine maker) and, as an aircraft manufacturer, is said to be best able to use the technology which will be made available by McDounell Douglas, the CF-18's maker.

Just about everyone outside the Government and even Western Canadians within it, take a different view. Victory in Quebec is essential if the ruling Progressive Conservative Party is to remain in office beyond its present five-year mandate. But the Tories' support has ebbed since they unexpectedly won 58 of 75 seats in the province in the 1984 election.

Besides lacking an efficient grassroots political organisation in Quebec, the Tories failed to satisfy the perhaps inflated expectations of what their landslide win would mean for Canada's only predominantly francophile province.

Mr Mulroney has recently pulled out the stops in an effort to regain popularity in his home province. Quebeckers were given a higher profile in a Cabinet reshuffle last June. The Government is to build a big prison in Mr Mulroney's constituency on the north bank of the St Lawrence River.

Robert Bourassa ... pivotal role

In trying to boost their image in Quebec, the Tories hope to persuade the provincial government to hack away from its earlier refusal to sign the 1982 Canadian constitution.

It may be no coincidence that tha Montreal suburb where Canadair's main plant is located is represented by the province's Premier Mr Robert Bourassa, who will play a pivotal role in forthcoming negotiations on the constitution. Mr Bourassa lobbied hard for the CF-18 contract to be awarded to Canadair.

Following their election in 1984 the Tories moved to defuse regional tensions. They dismantled the interventionist National Energy Programme, whose punitive taxes on oil and gas producers and incentives to divert exploration from the Western provinces to the "frontier" areas of the Arctio and the East coast had deeply alienated Western Canadians in the early 1980s.

Numerous tax concessions and other financial support measures from the federal Government have not been sufficient to placate the energy producers or prairie farmers.

Whila Ontario is expected to post a 4 per cent growth rate in 1986 (following an annual average of 5.5 per cent in the past two years), Alberta's ontput will shrink in real terms this year and may fall by another 1-2 per cent in 1987.

In Eastern Canada, parts of which never shared in the 1983-85 boom and which continue to depend heavily on Government transfers, the offshore oil and gas dream is fading. The four Eastern provinces have an unemployment rate of more than 15 per cent, compared with less than 7 per cent in Ontario.

Efforts to placate the East and West and at the same time keep Ontario and Quebec happy are likely to be an important infiuence on a wide range of Government policies nver the next year or two.

Big US carmakers boost sales

By Charles Hodgson in New York

SALES OF domestic US cars rose by 5.8 per cent in October over the same period last year, in spite of a sharp slowdown late in the month as attractive incentive schemes ended.

Sales of imported cars fell by 5.1 per cent, largely as a result of stiff competition from incentive-packaged domestio models. Japanese imports were additionally affected by the appreciation of the yen against the dollar.

The big three US producers all recorded sales increases. Ford scored a 10.6 per cent rise to 155,142 units, Chrysler 4 per cent to 102,269 and GM 1 per cent to 328,735. In spite of the strong sales increase at Ford the company's year to date figures are still 5 per cent lower than this time last year.

Chrysler sales are up 1 per cent and GM is 1.3 per cent ahead of last year's performance.

In spite of the drop in sales of imported cars, foreign makers captured 28.5 per cent of the US market in October, compared with 23.9 per cent in September and 30.8 per cent in October last year.

Among domestic producers, GM had 38.4 per cent of the US market, virtually unchanged from October last year, Ford 17.6 per cent against 16.3 per cent and Chrysler 12.8 per cent against 12.9 per cent.

First Japan-owned factory in Italy planned by Sony

BY ALAN FRIEDMAN IN ITALY

SONY Electronics is to become the first Japanese manufacturing company to build its own factory in Italy.

It plans to open, by 1988, a 60,000 square metre plant in the Trentino region of northern Italy to produce 2m magnetic cassette tapes a month.

The only other Japanese company with any manufacturing experience in Italy is Nissan, which participated in an ill-fated joint venture with Alfa Romeo to build the Arna car model at Alfa's plant near Neples.

The Sony investment, which will be an initial L25bn ($17.5m), will create 150 jobs in northern Italy. Sony forecasts that sales of its Italian-produced cassette tapes should generate L80bn of revenues a year.

Twenty-five per cent of the Sony Italian production will be destined for export, in part substituting production for the European market carried out in France.

Mr Emilio Baruffi, chairman of Sony's Italian subsidiary, said the initial investment could soon be followed hy expanded manufacturing in Italy.

"We will be using only 5,000 square metres of the 60,000 square metre plant for the manufacturer of cassettes. The rest of the space will be used for something more than just a Japanese garden," he joked.

Mr Baruffi said be was proud that Sony was to be the first Japanese company to set up its own manufacturing business in Italy and added that it would heve been unthinkable just a short time ago.

"In the past the Japanese did not have much confidence in the Italian economy. But the view from Tokyo today is that Italy bas changed greatly, that its economy has improved, its political system is more stable and its companies are more internationally competitive," said Mr Baruffi.

Sony has seven manufacturing plant in Europe. These are a colour telcvision plant at Bridgend in the UK; audio, video and television at Stuttgart in West Germany; plus plants in Colmar, Bayonne and Dax in France, Barcelona in Spain and Anif in Austria.

Taiwan cuts a swathe through import tariffs

TAIWAN'S executive Yuan (Cabinet) has approved tariff cuts on 1,843 items in a move aimed at opening the Taiwanese market, AP-DJ reported from Taipei.

The cahinet, said the cuts were the most sweeping undertaken by the government in recent years.

It said the action would result in an annual loss of government revenue of NT$3.5bn (US$94.6m).

The announcement of the tariff reductions comes two weeks after the announcement that President Ronald Reagan had ordered trede officials to prepare retaliatory measures against Taiwan because of its failure to fully open its domestic market to US cigarettes, beer and wine.

The US ran a trade deficit of $10.6bn with Taiwan last year, and expects that gap to widen to $12bn this year.

Taiwan's government informetion office did not give details of the tariff cuts.

The cuts, recommended by the Finance Ministry, have to be approved by the Legislative Yuan, Taiwan's highest law-making body, before they are enacted.

Finance ministry officials had said earlier that if approved by the legislative Yuan, the new measures will be implemented in January.

Total poised for Indonesian LNG spot price deal

BY JOHN MURRAY BROWN IN JAKARTA

TOTAL, the French oil company, is poised to complete negotiations for spot purchase of Indonesian liquefied natural gas (LNG).

Acting as go-between for Pertamina, Indonesia's state-run oil company and Distrigas of Boston, the US gas supplier, Total said yesterday that given final clearance by the US authorities, the first shipment of about 40,000 tonnes would leave the Indonesian terminal of Bontang for the 35-day run to Boston's Everett terminal.

If, as expected, Total's spot deal is approved by the US Federal Energy Regulatory Commission (Ferc), it could pave the way for further spot sales.

It would also be a blow to Algeria, which through its state-run company Sonatrach, has traditionally supplied Distrigas.

Under the deal Total would have the right to match the price offered by any competitor. The price at Boston cif is reported at $3.99 per million Btu's, giving Indonesia an estimated return of between $2.5 to $2.8 per million Btu's — rather more than the earnings from the term contract with Japan.

Mr Jean-Marie Giordini of Total Indonesia said the deal could lead to "future periodic sales on a seasonal basis to the US." He confirmed Total was aiming to tie up another shipment this winter and between two and four for each of the next two years.

The deal would be a welcome fillip for Indonesia, the world's largest exporter of LNG which has suffered from the recent sharp fall in the price of oil and gas, traditionally the mainstay of the economy, providing 70 per cent of export earnings and 55 per cent of government revenues.

In the past LNG has been sold on a long-term contract basis, reflecting in part the high cost of setting up gas facilities.

Indonesia last year sold 15m tonnes, worth approximately $3.4bn to Japan then its only gas customer. Pertamina is to resume price talks in Tokyo next month for the 20-year contract first signed in 1973.

First shipments on a similar 20-year contract with South Korea for 2m tonnes a year arrived in Seoul last week. Negotiations are also under way with Taiwan to finalise a 1.5m tonne 20-year contract.

Bleak outlook for contracts as Omanis realise dream

Joan Gray reports on one of the Mideast's biggest projects

THIS WEEKEND, before an endience of 1,000 dignitaries gathered in the shade of a red, white and green awning Sultan Qaboos of Oman will declare his £227m university open.

The university is the largest contract ever let in Oman and the biggest currently under way in the Middle East. When its £83m teaching hospital is finished, it is likely to be the last of the big projects for some time.

For like the other oil-rich Gulf states, Oman's economy has been hit by the downturn in oil revenues which account for more than 80 per cent of its income. And, after a vigorous development programme, its major infrastructure is now complete. The country hes been transformed from one of the most backward in the Arab world.

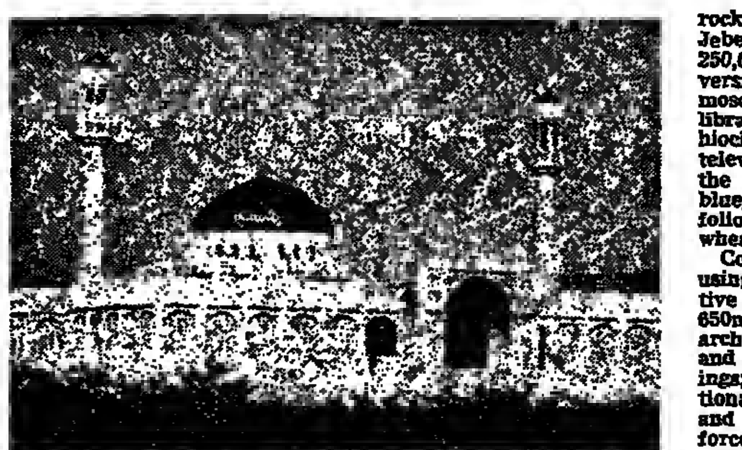
The university, with its cream-painted arcaded cloistered buildings, courtyards, fountains and fretted screens, mosaics, and stained glass has 6,100 trees, 25,000 shrubs and 58,000 tropical plants

It was the idea of Sheikh Amor, now Vice Chancellor and formerly Oman's Undersecretary of Educetion. "We could just have kept on sending students overseas to train—it's certainly cheaper," he said.

"But the university's job is not just to turn out graduates, but to play a role in the development of the country by research to try to solve its problems in agriculture, education and health, which an outside university will not do."

The importance of maintaining Omani and Islamic traditions meant that the university presented its builders with some complex design problems. Places at tha university are equally open to men and women on merit, but, in accordance with tradition, male and female students have to be kept separate.

Although the classes are mixed—with men et the front and women at the back—they have to be approached from different directions and with men and women following a different path.



The Mosque of Sultan Qaboos University

The university has therefore been built with two completely separate levels of walkways, with the two levels connected by a system of gated and screened spiral staircases leading to separate approaches to each doorway.

In just over four years the architects YRM International and builders Cementation International had to complete the project, starting with a bare desert site blasted from the rock in the foothills of the Jebel Akhdar mountains. The 250,000 square metres of university buildings inclnde a mosque for 2,000 people, libraries, administration hiocks, sports halls, residences, television studio and gardens; the contract was just a bare blueprint and leatherbound folio of delicate wash drawings when it was signed.

Construction was speeded by using the sama simple repetitive elements — such as the 650mm radius curved concrete arches in the elegant cloisters and arcades — for all the buildings; and Cementation International could draw on a large and well-organised Indian workforce.

A total of 4,000 men were labouring on the contract at its peak, requiring all the facilities of a small Indian town, 13,000 chappatis, 1,000 chickens, 8,000 eggs and 160,000 gallons of water a day, as well as the 2,800 tiffins carried out at noon to the workers on thc far corners of the site.

The project created controversy in the British press as a result of the public relations activities of the Prime Minister's son, Mr Mark Thatcher, on behalf of the contractor Trafalgar House's Cementation International. Cementation won the contract early in 1982.

The company did not enter into open competition but was awarded the contract after private lobbying which led to it being nominated as the preferred contractor at a negotiated price, and to fixed deadlines.

Now, however, tighter economic conidtions mean that contractors are increasingly having to win jobs in competition by submitting tha lowest bid.

Contractors such as Laing, Wimpey, Taylor Woodrow and Costain, which have all carried out major projects in Oman such as ports, hospitals and a £50m barracks, are now bidding for small factories, warehouses and luxury villas. They are glad to get contracts worth £1m or £2m.

Bnt for Oman, the weekend ceremony will be the fulfillment of a dream.

Gatt hands tied on Nicaragua

A DISPUTES panel set up under the General Agreement on Tariffs and Trade (Gatt) has found it impossible to act on Nicaragua's complaint against the trade embargo imposed on it by the US, William Dullforce writes from Geneva. In its report, however, the panel raises questions about the use by the US of Gatt's Article XXI to justify its ban, and, against US wishes, the Gatt council decided yesterday to keep the matter on its agenda while these questions are examined.

Article XXI allows a country to take action to protect its essential security interests "in time of war or other emergency in international relations." President Ronald Reagan banned trede with Nicaragua in May. Nicaragua claimed that the US action violated five other Gatt articles and should be revoked.

The Gett disputes panel, in effect, had its hands tied from the beginning because its terms of reference did not allow it to judge the validity or motivation for the invocation of Article XXI by the US.

The panel posed three questions to the Gett council:

● How could Gett ensure that Article XXI was not invoked abusively or excessively?

● How can a disputes panel work, if it is not authorised to examine e country's justification for its ection?

● Do Gett members have the power to offer redress to one of two countries subject to a two-way embargo?

Shipping lines in Gulf plea

A GROUP of nine international shipping organisations yesterday called on the United Nations to make "effective representations" to Iran and Iraq to stop military attacks on merchant shipping in the Gulf, Kevin Brown reports.

The organisations, beaded by the Copenhagen-based Baltic and International Marine Council (Bimco), said the international shipping community would be reluctant to continue to trade in the Gulf if the attacks continued.

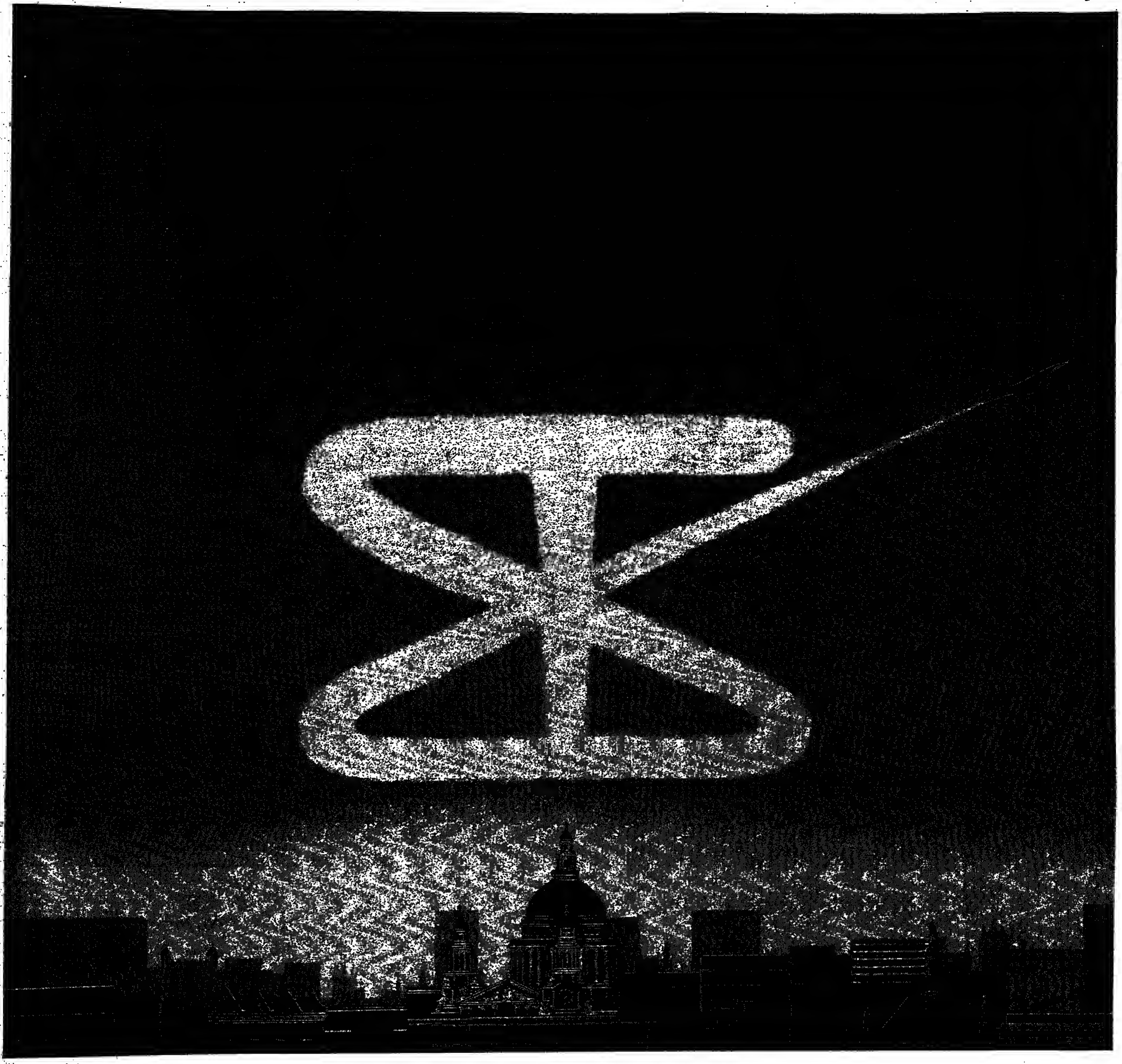
China defence exhibition

FOREIGN companies showing their wares at the largest defence exhibition held in China have recognised that while China's military forces are in the middle of a modernisation drive, the drive is in low gear because of e chronic shortage of foreign exchange, Robert Thomson reports from Peking.

The Chinese defence industry is as keen to show and sell their equipment at the Asiandex 86 exhibition — as they have already discreetly done in the Middle East and Africa. Wang Ang, the vice-minister of aviation industry, said that the purpose of being represented is to "promote exchanges."

The China National Aerotechnology Import and Export Corporation is particularly keen to sell the Chinese F-7M fighter and the A5-M twin jet ettack aircraft, which is to have its electronics and firing systems npdeted by Aeritalia of Italy.

The exhibition will be crucial for a proposed joint venture between Vickers PLC and Norinco, a Chinese defence equipment agency, to produce an armoured personnel carrier.



How Virgin shaped up for a new era

Raymond Snoddy reports on the flamboyant UK entertainments group

DON CRUICKSHANK, former managing director for finance and administration at UK publishing group, Pearson Longman, will never forget his first board meeting at the Virgin Group, the music and leisure company founded by the entrepreneurial Richard Branson.

First there was a swim in the pool of Branson's 16th century mansion outside Oxford, then a session of discussions, followed by a game of tennis. The meeting continued throughout the day interspersed with swimming and further games of tennis.

"Formal it might not have been but as a way of getting people to concentrate in a creative manner for long periods of time it was excellent," says Cruickshank, who has been managing director of Virgin for more than two years, and at 44 is the doyen of the Virgin management team.

Board meetings at Virgin have become a bit more formal since then in the run-up to the flotation, details of which will be announced today.

There are now proper board papers for consideration, a formal agenda and detailed minutes are kept.

"We are fully aware that there are certain things that have to be done and be seen to be done but within that we would not wish to be too regimented," says Trevor Abbott, the Virgin finance director.

There is still no boardroom or even a board table. Multi-million pound decisions are taken sitting round on settees at meetings in either of Branson's two homes or at the spiritual heart of the Virgin empire—his office on a house boat on the Grand Union Canal in London.

The injection of a minimum degree of formality together with the very existence of Abbott and Cruickshank, two men in newly created positions and from outside the otherwise self-grown Virgin management team, are indications of how rapidly Virgin has changed over the past two years as the company has grown in size.

Between 1983 and 1984 turnover nearly doubled from £48.6m to £94m as Virgin set up its own companies overseas rather than relying on licensing agreements.

Without benefit of management consultants or MBAs Branson found that his entrepreneur instinct alerted him to the need for outside expertise and some changes to the company structure if such rates of growth were to be sustained.

For Cruickshank and Abbott, the challenge has been to "tidy up" the company structure and rationalise the financial controls without curbing the creative flair on which the whole enterprise depended.

"When I joined what we had in place was the management structure of a small to medium company," says Don Cruickshank. Financial responsibility lay at the centre and Branson was involved in almost everything. "It was really getting to the point where it was creaking and it was difficult to establish control," Cruickshank adds.

The central office staff has now been reduced to about 35 — a third of what it used to be — and is now "an office of the chairman" almost in the American sense.

The company has been structured into three core businesses — Music, Retail and Vision and central functions have been devolved to the divisions. Each has its own finance director and Music and Vision their own directors of business and legal affairs.

With the flotation in mind activities which might be seen as risky by the City such as Virgin Atlantic Airways have been sold to Voyager Group, a private company set up by Branson, together with Virgin's other travel interests and night clubs.

Branson, who holds 85 per cent of the equity of Virgin, has clearly been thinking about seeking a Stock Exchange listing for some years but has always held back until now.

"One of the reasons I have resisted going public over the years is because I thought we would have sold ourselves short," says Branson. The company, he believes, is now big enough.

Clearly one of the longer-term reasons for seeking a quotation is to grow through acquisition, although none is planned at the moment.

The long-term aim, he says, is to make Virgin "the greatest entertainment business in the world."

Such grandiose claims—Branson is not known for understatement — and the "mythology" of the rise of Virgin from a business founded in a telephone kiosk to a major player in the entertainment industry, has, however, tended to obscure more mundane virtues.

Behind the flamboyant stories and the broad Branson grin looking out from 100 newspapers are some very down-to-earth numbers. Virgin now employs more than 1,600 people and operates in 17 countries. In the year ending July 31 it had pre-tax profits of £19.1m on its continuing activities on a turnover of £188.6m with more than half the turnover earned outside Britain.

Peter Hillier, senior leisure analyst at analysts, County Securities, finds Virgin managers disarmingly straightforward in areas notorious for hype, such as the record industry.

"I find them delightfully unconventional but their approach to business is totally serious. They understand the businesses they are in backwards," says Hillier.

They are a collection of managers, all, like Branson, in their 30s, some of whom have been there from the beginning and most, unlike their chairman, with university degrees.

They work from more than a dozen buildings in the Ladbroke Grove area of west London, far from the conventional centres of corporate power and do very conventional things like working hard. The management style in Virgin "is informal without being casual," says Johnny Fewings, the 31-year-old managing director of Virgin Retail, who started with the group as a shop assistant in the Virgin record store in London's Marble Arch after getting an economics degree at the University of Kent.

The music division, run by Simon Draper and Ken Berry, is by far the most important in the group with a profit in the year to July of £20.1m on a turnover of £118m.

The roster of more than 100 artists ranges from Mike Oldfield and Pete Townsend to Culture Club, Genesis and the Human League. Simon Draper, a distant cousin of Richard Branson, has been with Virgin almost from the beginning. He has in turn sold records and been an A & R man—artist and repertoire, the key people who seek new talent and handle them on a day-to-day basis—before going into management.

"Virgin is still very much an A & R company," says Draper, who is now 36 and chairman of Virgin's music activity. Draper and his managing director, Berry, who have worked together since 1973, are in the middle of the company's biggest ever push into the US market through the creation of Virgin Records America. US executives have been hired to run the company; the first artists have been signed and the first records are due out in January.

If it works it will give greater US exposure to Virgin's UK bands and it will be able to exploit US artists through Virgin companies in the rest of the world.

An executive of another record company emphasised that Virgin is a good company but warns: "I think it will take them a while and cost them a lot of money to establish a decent presence in the US market and there is no guarantee of success. They tried in 1979 and left with their tail between their legs."

The executive adds that to his eye the Virgin roster of artists seems very large, and therefore costly to maintain. Virgin Retail, the second largest arm of the group and the original seed of the business, has in recent years not been producing an adequate return on capital.

Conran Asociates were called in for a redesign and refurbishment programme and £3.5m has been spent on the new image and on opening new outlets in the past 18 months.

Sales, Virgin believes, have increased by 50 per cent in the redesigned stores and further growth is expected from the megastores where a wide range of products for young people, such as T-shirts, posters, games and books as well as music is being sold.

All Virgin's video and television interests are run by Robert Devereux, a 31-year old Cambridge graduate who worked for MacMillan, the publishers, before joining Virgin five years ago. The heart of the business is the acquisition of video, film and television rights. Recent acquisitions include 200 titles from MGM/United Artists for the Far East market and the Hal Roach library of Laurel and Hardy films.

But Virgin has decided to pull out of making its own films after making losses although it will provide the sort of completion guarantees to other producers often necessary to secure video rights.

The company sees Vision, with profits last year of £1.3m on a turnover of £16m, as a significant growth area against the background of deregulation of European television and the advent of satellite broadcasting.

Virgin is a founder member of one of the five consortia which have applied for the British direct broadcasting by satellite (DBS) franchise, a multi-million pound project to provide three new channels of television for the UK. Branson says he will limit Virgin's exposure to £20m spread over a number of years.

On the brink of the flotation, designed to raise between £60m-£70m from between 25 per cent to 30 per cent of the shares, Branson has a clear idea of what he wants to achieve: to make Virgin a £1bn company within five years.

"For once Richard may be being too conservative," comments Cruickshank, without a trace of irony in his voice. "As long as there are also the profits to match," he adds.

Richard Branson on his houseboat, the "spiritual heart" of his empire. Right (from top) Don Cruickshank and Trevor Abbott, managing and finance directors, and Simon Draper, chairman of the music division, the largest

In search of the Superteam ideal

ASHRIDGE Teamworking Services is a specialist unit within the UK's Ashridge Management College which helps to develop successful teams inside companies and public sector organisations. Its director and two of its consultants have written a book about successful teams, which they call Superteams. Disconcertingly, they say they have never met one.

"The reason for this is that the Superteam concept is an ideal, a target, something to be striven for," they say. "What we have done is to piece together all the evidence that we can find, from our own and other people's work, in order to put together a comprehensive picture of what it is that makes some teams outstanding in comparison with others."

The teams they look at are of all sorts, from groups formed to come up with an innovative product to senior management teams charged with arranging a merger between two subsidiaries.

The consultants say that most teams grossly underperform. Those that do better do not do so through good luck. The writers believe Superteams can be made, if those who set them up and those who belong to them know how to go about it. It is the sort of subject which lends itself to mere exhortation. Fortunately, this is resolutely a "how to" book, with handy summaries at the end of each Superteam strategy.

Everyone agrees that teamwork is a good idea, but many managers lose their nerve when a team they have set up begins to work without them. Managers who want to see Superteams operating in their companies are warned that "they will become very authoritative, and will know more than you."

If a successful team is not to raise hackles high up in the company it needs to be well connected. All teams need a sponsor, the book says. A sponsor is not a member of the team, but rather a "godfather, mentor, fixer, smoother, promoter and resource provider."

Having found a sponsor, Superteams establish a wide range of helpful connections, both inside and outside the company. They make a list of people who might be adversely affected by what the team does and delegate a team member to reassure them.

Superteams establish with the company what their criteria of success will be. "Organisations get nervous about not being able to 'see' progress in a tangible form. Especially at an early stage in the team's task, visible movement may be obscured by a high 'noise' level as the team disentangles the problem it has been given." The team's brief should be clearly established and updated. Two team members should attend such clarifying meetings with superiors so that they can compare notes.

Goals and deadlines for team members need to be set at the end of meetings. Between meetings teams need to keep in touch too. The book advocates teams getting together for social events and calls for a reasonable amount of informal chat during meetings, what the writers call "silly time."

Successful teams that travel a lot or are based at different offices or plants need other ways to keep in touch. One sales and marketing team invested in telephone answering machines both at home and in their offices. That way they could pick up messages on team progress.

That successful teams often require a drastic change in corporate culture is clear from a group of case studies at the end of the book. A large engineering group which decided to move from production line principles to team-working found that team leaders were hampered by ingrained supervisory habits. In a research and development organisation in the motor industry, team leaders, along with team members, could not move from their established pattern of analysing problems to acting on them.

In most cases the solution seemed to be a week in the country, at least to start with. Consultants could then begin getting the teams to talk about how they would work. Setting up new lines of responsibility and authority with senior management was a part of the process too. "The notion of decentralised teams managing their own destinies required as much change in senior management attitudes as in team leaders' attitudes," the book says.

Superteams by Colin Hastings, Peter, Bixby and Rani Chaudhry-Lawton. Published by Fontana/Collins, £2.95 paperback.

Michael Skapinker

TECHNOLOGY: Computing

BY ALAN CANE

Expert systems are now finding practical applications in industry and commerce

Putting smart computers in the superstore

EXPERT systems are already more than simply an exciting laboratory novelty. Major companies and government departments are investing substantial sums to develop demonstrator projects and the first practical systems to come on the market look as if they will save thair users the predicted amounts of tima and money.

The data communications management system developed by Case described on this page, for example, can be shown to cut the time for network reconfiguration from weeks to minutes.

UK government departments have been sufficiently impressed by the potential of expert systems to put up large sums of money for tha development of systems to help commercial training, like the Datasolve/Manpower Services Commission system described here, or commercial practice—the Langton/South Bank Polytechnic/Department of Trade and Industry "Exmar" system.

Expert systems are the first fruits of many years research into artificial or machine intelligence. The basic concept is that computer software can be written which can sift the professional opinions of experts in a given field and offer "reasoned" answers to questions put to the system.

Expert systems not only provide these answers, they explain the logical steps taken in coming to a particular conclusion. Their commercial value lies in the fact that they can be used by experts as a time and cost cutting "second opinion" or by the less expert as a robot adviser.

The Manpower Services Commission has been committed for a long time to the developmant of technological aids for training; its chairman Mr Bryan Nicholson recently announced that £3.2m would be spent on developing artificial intelligence projects.

On the face of things, its project in conjunction with Datasolve, a subsidiary of Thorn EMI, is mundane — a computerised stock ordering system for B and Q (Retail), the largest do-it-yourself retail chain in the UK.

All the elements of an important expert system application are there, howevar.

The aim is to help managers of B&Q's 80-plus UK DIY Supercentres to improve decision making when reordering stock. It will also automatically provide training if a manager consistantly demonstrates poor judgment in decision making.

Stock control, is of course, critical to profitability in any retail operation, and the stocking requirements of B&Q's branches vary markedly with location and with tha time of year.

Mr Don Yeates, Datasolve's director of training, said the project would use an expert system "shell" to develop tha final product. A shell is a empty expert system into which the user can pour information and decision-making rules without the need to create the system from scratch.

The likely choice for the B&Q project would be the Xl shell built by Expertech. It will be run on IBM PC/AT personal computers or their equivalents.

The overall cost of the project would be £250,000 split betwean the MSC and B&Q.

A draft system specification had already been drawn up and the product was doe to be ready in the first quarter of 1988. Such a long developmant timescale indicates that the system will be a substantial piece of work.

The MSC is anxious that the finished system should be geoerally applicable and will be trying to persuade other organisations to experiment with computer based training. The first versions will, of course, be B&Q's by right: "In our sort of business we need an edge to stay in the forefront" Mr Glenn Ashness of B&Q said: "This is one example of how technology is helping B&Q to keep ahead of its competitors."

"It allows even a non-expert manager to manipulate variables, arrive at a decision and understand why he has done so.

Changing data networks

A UK-designad and manufactured product stole the show at the US Telecommunications Association Annual Conference in San Diego, California, two months ago.

The company behind this unlikely event was Computer and Systems Engineering (Case) of Watford, north of London, a significant player in the European communications market now struggling back to profitability after errors which resulted in a $26m dollar loss in the US last year.

The product, an expert system which makes it simple for its customers to reconfigure their datacommunications networks, is unlikely to reverse Case's fortunea by itself, but communications specialists agree it seems to be a step ahead of the rest of the field at present.

Mr Neil Barton, electronic analyst with Robert Fleming Securities in London, says he knows of no similar product already on the market although several of Case's competitors are known to be working along similar lines.

The Case expert system will be shown for the first time in the UK at the Compec '86 computer exhibition in London later this month and will be available early in the new year.

In the US the product, called Nconf for Network configuration, has been launched as part of a network management system, at a price of $150,000.

It is designed to solve the problem experianced by every operator of large dats communications networks of how best to handle the regular and inevitable changes in the physical and logical structure of the network.

Case's principal product is the DCX range, a family of communications processors (compnters which manage and control telecommunications lines) which form the control points (nodes) in the network.

According to Case: "A survey of DCX users has revealed that usera with between one and three nodes need to reconfigure their network np to 10 times a year, while those with more than 20 nodes go through 140 configurations in a year."

"Most of these customers use their own staff for reconfiguration work. In the case of larger networks, the cost can amount to as much as 210 man days or some £20,000 a year. The survey also revealed that manual configuration changes were made with a high proportion of errors."

The largest user of Case networking products in Citibank which has 200 nodes to which are connected 31,000 terminals or computers. Every time it reconfigures its network it has to bring up to data some 25,000 pages of networking documentation. So far, Citibank has not opted for Nconf although four unnamed customers in the US are already testing the system.

The largest possible DCX configuration is 256 nodes with 40,000 terminals or computers attached.

Case itself operates a data network comprising 40 nodes. According to Mr Alex Galis, Case's technical strategist responsihle for the Nconf expert system, it now carries out in five minutes reconfiguration work that used to take several weeks.

The system was written using an artificial intelligence language Ops 85, a general purpose language developed at Carnegie Mellon university in the US. It encompasses tha networking experience of three principal experts together with intelligence culled from books and journals.

Onca the system has been given the number of sites in a network, the distribution of the data links and the number of high and low speed channels, the Nconf system prodnces physical and logical configuration data for each node.

The information is delivered at present in the form of tables although Mr Galis mare it clear that the company is actively developing a graphical interface which will automatically generate a picture of the new configuration.

The package is designed to run on any Unix-based computer but is sufficiently flexible to run on MS/DOS based machines as well.

Alex Galis (seated) and a member of his AI team talking to Duncan Fitzwilliams (centre), chairman of the CASE group

Info centres 'here to stay'

THE "information centre" (IC), a focal point for personal computing in major companies first gained general recognition in the mid-1970s. There have been since then doubts about its purpose and efficacy.

The concept was fostered by IBM which saw significant opportunities for selling companies both new hardware and software while helping to solve the most intractable of all data processing problems—the ever increasing backlog of unwritten applications programs. Now a new report from the Xephon consultancy in the UK endorses the view that the IC is here to stay, while arguing that its role is changing subtly but surely.

The anthor of the report, Mr Mark Lillycrop, a senior consultant at Xephon argues that instead of providing consultancy and support services, many ICs are becoming embroiled in a continnous chain of basic product training sessions: "Some ICs have reluctantly been obliged to take over application development tasks that are simply beyond the capabilities of end users," he says.

The IC developed at a stage of corporate data processing whan the backlog of applications waiting for the central dats processing department to cope had reached breaking point; two years and more were not unusual for anything other than the simplest applications.

At the same time, personal computers and personal computer software were becoming available at reasonable prices, and many and-users (executives in large firms) were asking why they should not develop their own applications programs.

Lack of experience in computing was as good a reason as any. A fear that their amateur efforts would disturb, possibly corrupt, precious corporate data ensured that the data processing manager had no great enthusiasm for the idea.

The IC was seen as the answer — separate from the central data processing system, complete with its own mid-range computer and staffed with professionals to help end-users develop their own personal compnter programs.

The results of Mr Lillycrop's survey of some 46 IBM-based sites earlier this year suggest that tha concept is thriving: "With annual investments in end-user hardware and software increasing at abont 40 per cent even in the better established IC's, it seems likely that the full potential of end-user computing is only beginning to be appreciated in many companies," he says.

Mr Mark Lillycrop, a senior consultant at Xephon

Curiously, however, ICs do not necessarily result in a decline in the backlog of user applications. Only slightly more than half (24) of the companies canvassed reported a drop. Seventeen said there had been no change and two actually reported an increase.

Mr Lillycrop suggests that the very popularity of ICs is sustaining the backlog: "Familiarity with end-user computing techniques makes the more adventurous user aware of the vast potential of information system, thus creating a new demand.

"As a result the IC manager can be faced with the dilemma of having, on the one hand, to lure reluctant users to the centre and on tha other, to control the demands of tha reluctant developer."

Overall he concludes the success of an IC depends on its staff — and with programming staff in short supply, software specialists will have to weigh carefully the benefits of working in an IC against the advantages of working on big projects in the data processing centre.

*The Information Centre in Practice from Xephon on 0635 33848, price £35.

Lack of specialists

A LACK of well qualified computer specialists coupled with intense concern in many companies about the need to create an information technology strategy has pushed the charge-out rate for top technology consultants over £900 a day for the first time.

The 1986 edition of the annual survey of manpower pricing in software services published by Michael Longy Associates shows that systems houses and consultancies are now charging between £300 and £900 a day for senior consultants. The top rate would only be earned by managing consultants or principal consultants.

"All the evidence is that these senior people now have to go out and earn their fees rather than supervising the work of others," Mr Longy says, commenting on the apparent dearth of high quality consultants.

He notes: "As the total UK market for professional services is growing at over 20 per cent a year, it can be seen that the majority of that growth is coming from increased volumes of work and from the ability to charge more for senior and middle grade staff rather than from adjustments to the complete tariff structure."

Equipment manufacturer's rates remained static, according to the report, while systems and software houses have tended to increase prices to match inflation or to match annual salary rises (generally around 3-12 per cent at present).

Mr Longy warned that the survey indicated that some kinds of software vendors, especially those selling fourth-generation languages (4GLs)—computer programs which make it simpler to write other computer programs—were starting to sell a total package of software plus consultancy.

This development was chiefly to be seen from the larger, US-based companies and it represented a serious threat to the UK's major software consultancies.

The report is available from Michael Longy Associates on 08926 62595 at £250.

UK NEWS

Bids leap-frog in tussle for McCorquodale

BY DAVID GOODHART

A DRAMATIC tussle for control of the McCorquodale printing group remains in the balance after a fresh sequence of leap-frogging bids yesterday morning.

After late-night negotiations on Wednesday with Mr Robert Maxwell, who holds just under 20 per cent of McCorquodale, Norton Opax, the Harrogate-based printer, yesterday made its final increased offer, valuing McCorquodale at £167.4m (in shares) or £158m (in cash).

Little more than one hour after the increased offer was announced, however, the McCorquodale management buy-out team led by Mr John Holloran, the chief executive, raised its own cash-only from 300p a share to 310p, raising the total value of the bid from £156m to £161m.

The outcome of the bid will now hang on the attitude of McCorquodale's institutional investors to Norton Opax's shares. If they believe they are likely to hold their value after a bid, they may prefer them to the buy-out team's cash – although there is a loan note alternative for supporters of the management facing tax liabilities from a cash acceptance.

Norton Opax, which owns 14.9 per cent of McCorquodale, claimed control of 51 per cent of the rival printing group. However, that does not take account of 8 per cent (out of a total of 16 per cent) acceptances which asked to withdraw after the first management buy-out offer on Monday.

It does, however, include a further 8.5 per cent of Mr Maxwell's stake. Having already committed 10.8 per cent to Norton, he has now irrevocably pledged his full 19.3 per cent to the share offer. It may, however, be a mixed blessing. One major institutional investor said last night that it would not want Norton shares with a large minority stake held by Mr Maxwell. Mr Maxwell would hold 16 per cent of the combined group if Norton succeeded.

Norton is funding its increased and final offer through the issue of a further 5m shares, taking the total of new shares to 109m. This would be 77 per cent of the new group. It is also borrowing £15m, which will take its gearing to over 80 per cent.

Mr Richard Hanwell, the Norton chief executive, said he remained absolutely determined to win control and had increased the offer after a view of detailed information about McCorquodale. The company had been forced to release this to him after the buy-out bid in order to ensure parity of information.

He rejected the argument that many of the 30 top McCorquodale managers would find it difficult to work with Norton because of their financial commitment to the buy-out. Ha also said that as, under the buy-out terms, the managers were set to receive about £7.5m of equity for their £1m cash injections, they were "putting their own interests above shareholders."

The buy-out is being backed by Standard Chartered Bank and the Prudential Insurance Corporation of America, which are both providing £76.5m of debt, and the Electra Candover Direct Investment Plan, especially designed for management buy-outs. This is providing £33m equity on top of the management's £1m.

Norton has increased its share offer from two Norton for one McCorquodale to seven Norton for three McCorquodale – which last night valued each McCorquodale share at 322p – and its cash alternative from 260p to 303.3p, just pipping the first buy-out offer of 300p.

McCorquodale shares closed last night at 305p, up 15p on the day.

Bellair in cash call to fund cosmetics venture

BY CLAY HARRIS

BELLAIR COSMETICS is seeking nearly £2.3m from its shareholders to fund a joint venture with Polly Peck International to distribute L'Oréal cosmetics and toiletries in Turkey.

The one-for-one rights issue is the second cash call since Bellair's shares were suspended in January 1984 after a sharp rise from 17p to £13¾ in only nine months.

The new venture is the first business link between Bellair and Polly Peck. Mr Asil Nadir, chairman and joint managing director of Polly Peck, is the brother-in-law of Mr Mehmet Tecimer, who controls Bellair through Liechtenstein-based Wasskon Establishment.

Wasskon, which is underwriting the rights issue, is to reduce its holding in Bellair from 72.5 per cent to 50.7 per cent. It has already arranged for the placing of 10m of the 22.9m 10p shares being offered at par, including 1m to Mr Charles Keep, Bellair chairman.

Bellair is to hold 75 per cent and Polly Peck 25 per cent of Hourtone, which in turn will own 90 per cent of a new Turkish distribution company, Prestij Kozmetik. The remaining 10 per cent will be held by the present L'Oréal distributor in Turkey, IE Kimya Evi.

The Turkish venture would involve investment of up to £3m in the first two years, Mr Keep said. He expected turnover to rise from £700,000 to £2.5m in the first year.

Bellair's trading loss had risen to £407,000 in the six months to April 30 from £378,000 in the comparable 1984-85 period, Mr Keep said.

The company has subsequently closed all of its UK manufacturing operations and extended its financial year by two months, to the end of December.

When trading was suspended nearly three years ago, the company had only 2.29m shares. It could be ready to apply for re-listing by the end of 1987, Mr Keep said last night.

Plan to reduce working hours

ENGINEERING employers and union leaders yesterday unveiled radical proposals which could reduce the working week in factories in exchange for increased worker flexibility and the erosion of traditional union demarcation lines on the shopfloor, Helen Hague writes.

The proposals arise from nearly three years of protracted negotiations between the Engineering Employers Federation and the Confederation of Shipbuilding and Engineering Unions, through a joint working party.

The EEF, which represents 5,000 companies, is prepared to phase in a reduction of the working week from 39 hours to 37½ hours as a trade-off for wide-reaching changes in working practices.

Principal changes outlined in the report include:

- Union agreement to eliminate demarcations and other restrictive practices.
- Variation in hours to cope with fluctuations in demand.
- Changes in procedures for recognition and collective bargaining.
- Local-level discussions on the reduction of non-productive working time.

Yesterday, the CSEU executive endorsed the report on the progress of negotiations. The proposals will now be considered by the ruling bodies of individual unions party to the prospective agreement.

If implemented, the proposals would be likely to prompt a further round of hours reductions in manufacturing industry, at a time when the Confederation of British Industry believes the momentum for further cuts in the working week has slowed.

The working week in engineering factories was reduced from 40 hours to 39 hours in 1981, following a bitter national dispute two years earlier.

Despite the decision to refer the proposals to individual union executives, obstacles to concluding an agreement remain.

A number of unions represented on the CSEU have reservations on the scope of the mooted deal and, in particular, are concerned about the implications of changes to recognition and procedure agreements at plant level.

Mr Bill Jordan, president of the Amalgamated Engineering Union, the largest in the CSEU, said he believed up to 100,000 jobs could be created if a deal was reached on the shorter working week.

Mr James McFarlane, director general of the EEF, said he was "reasonably hopeful" that the proposals would lead to a national agreement, representing a "turning point" for the industry.

□ **SIR NEIL SUTHERLAND**, former chairman of Marconi, the electronics company, has died at the age of 85. He joined Marconi as general manager in 1948 and, convinced that radar had an important peacetime role, developed the products and commercial organisation to exploit new markets. The company subsequently sold civil and military radar systems to over 50 countries.

Sir Neil became managing director of Marconi in 1958 and, in addition, deputy chairman four years later. He was chairman from 1965 until his retirement in 1969, the year in which he was knighted.

□ **NATIONAL** Union of Mineworkers is drastically reducing its investment in a new headquarters in Sheffield in an attempt to stave off the most serious financial crisis since its inception. The decision comes against the background of a growing cash crisis provoked by the pressure on union funds during the 1984–85 miners' strike. Union finances have also been damaged by the establishment of the breakaway Union of Democratic Mineworkers.

□ **UNION** leaders representing 16,000 merchant seamen are recommending acceptance of a new £3-a-week pay rise offered by the General Council of British Shipping, which said it was a "final offer" and represented a 3.4 per cent increase in average earnings. NUS members will now be balloted on the deal – a process likely to take several weeks.

□ **GOVERNMENT** announced an increase in visa fees of up to 100 per cent. This follows the controversy over the introduction of visa requirements for visitors from five Asian and African countries. A single-entry visa goes up from £12 to £20, a multiple-entry visa goes up from £24 to £40 and a settlement and other long-term entry clearance from £25 to £50.

□ **LEADING** members of the Confederation of British Industry have been giving themselves pay rises 2½ times greater than the increases won by their workers, according to a survey published by the Labour Research Department, a trade union funded research organisation.

□ **NATIONAL** Union of Railwaymen officials are due to meet today, under pressure from their members, to consider intensifying the current industrial action against Sealink UK in support of 41 crewmen who have been made redundant.

Michael Donne examines helicopter records after yesterday's North Sea crash

Flight safety under scrutiny

YESTERDAY'S ACCIDENT to a British International Chinook twin-engined helicopter in the North Sea is likely to prove to be Britain's worst-ever helicopter disaster.

It is bound to revive calls for tougher safety measures in all forms of helicopter operations, especially those in the notoriously vicious weather of the North Sea.

Mr John Moore, Transport Secretary, yesterday promised a thorough inquiry into the cause of the crash. He told MPs in the House of Commons: "Resources will not impede the proper investigation of this accident."

The aircraft was on charter to Shell and crashed into the sea two miles east of Sumburgh in the Shetland Islands. Of the 47 passengers and crew on board, only two are thought to have survived.

British International Helicopters is the name given to the former British Airways Helicopters. It was sold by that airline to a new company set up jointly by Mr Robert Maxwell and the Scottish Daily Record group earlier this year.

The previous worst accident involving a UK helicopter was that in 1983 involving a British Airways Sikorsky S-61 near the Scilly Isles, in which 19 passengers and one crew member were killed.

Apart from that, the fatality rate involving helicopters in public transport duties has been less severe than many believe.

Civil Aviation Authority (CAA) figures show there were no fatal accidents to UK-registered public transport helicopters in either 1984 or 1985. There was one crash in 1982 involving six deaths and two fatal crashes involving 14 passengers and crew in 1981, but they were the first since 1976.

But in 1984 a British Airways' Chinook was forced to ditch in the North Sea. All passengers and crew escaped, with no loss of life, and the Chinoock was subsequently retrieved, repaired and sold by British Airways.

Yesterday's accident was the first in which passengers were killed in a Chinook on commercial service.

The Chinook commercial helicopter was developed several years ago (with the first entering service in 1981) from the highly successful military Chinook built by Boeing Vertol of Philadelphia, of which over 900 military aircraft are in service with the US and other armed forces.

Only 12 commercial Chinooks have been built, however, its design has not found a wide market, despite its size and carrying capacity of up to about 50 passengers and crew.

Although limited in number, the past helicopter accidents, caused considerable concern and led to a significant tightening of the safety rules for helicopters operating public transport services over the North Sea. This was in view of the severe weather in that area, especially in winter, and the long distances that helicopters have to fly to remote rigs and platforms.

For example, in the year to last March 31, the CAA introduced many new requirements for helicopters used in offshore operations, chiefly to improve ditching procedures and to enhance the chances of survival following ditching.

These have included the modification of window and door hatches to improve escape from a capsized helicopter and better exit lighting that would operate under water.

More life rafts were also ordered to be fitted, and these have to be fully reversible and less vulnerable to puncturing.

This is requires because some of the external fittings and structure of helicopters used in the North Sea, including Chinooks, could puncture a life raft. Those fittings have had to be removed. This major programme was largely completed by the year-end and in the CAA's words "reflected excellent co-operation by the helicopter operators and the equipment suppliers concerned." It is understood that the Chinook involved in yesterday's crash fully complied with these requirements.

The CAA's programme to improve helicopter safety has not ended there, however. Efforts to achcive even higher standards, especially for North Sea operations, have included setting new rules for safety equipment and a revision of operators' emergency procedures.

The CAA also now requires such things as radio altimeters with voice warning signals, the automatic deployment of distress beacons and improved life jackets for passengers and crew.

Studies into a variety of different aspects of helicopter safety are continuing.

Shareholders 'now 17% of adult population'

BY CLIVE WOLMAN

ABOUT 17 per cent of the adult population, 7m people, are now shareholders, more than three times the proportion three years ago, according to a survey published yesterday by Dewe Rogerson, the public relations company that advised the TSB Group on its share flotation.

The survey, conducted on October 27 and 28 in the immediate aftermath of the TSB flotation, also suggests that shareholders are becoming younger and more evenly spread by social class. The proportion of shareholders under 45 has risen from 33 per cent in 1983 to 47 per cent while the proportion in socio-economic classes C2, D and E has risen from 17 per cent in 1983 to 35 per cent.

The survey thus supports the Government's claim that it is succeeding in its aim of creating a shareholder democracy. The main evidence suggesting an upsurge in individual shareholding since the British Telecom flotation in 1984 is:

- A National Opinion Polls survey, commissioned by the Government, of 7,200 people in February suggesting that 14 per cent of adults owned shares.
- A British Market Research Bureau survey, commissioned by the London Stock Exchange, which suggested a 16 per cent ownership.
- Statistics on financial flows, collected by the Central Statistical Office, which have pointed to a sharp increase since December 1984.

There is however contradictory evidence:

- Two surveys conducted last June and in February by Market and Research Opinion International (Mori) suggested only 8.3 per cent ownership while another survey of Financial Research Services suggested 9.5 per cent ownership.
- An analysis of stock exchange share transactions in June and July showed that individual investors accounted for only 18.6 per cent of all transactions by value whereas in early 1983 the figure was 28.4 per cent.

The chief explanation for the discrepancies between the different surveys and statistics is that a large number of people do not think of themselves as shareholders unless their memories are jogged

In addition, the Dewe Rogerson survey, of 933 people, was conducted on the day of Big Bang, the deregulation of the City of London, when the stock exchange received high media coverage.

Wico loses 26 staff in day of defection

By Clive Wolman

TWENTY-SIX directors, analysts and senior salesmen yesterday handed in their resignations to W. I. Carr (Overseas) Holdings (known as Wico), a subsidiary of Exco International, in the City of London's biggest defection of stockbroking staff. The Exco share price fell from 242p to 220p when the news leaked out although it partly recovered to 230p at the end of the day.

Mr Richard Davey, an Exco director, last night accused the three directors of Wico who are leaving of breaching their contracts and fiduciary duties by organising the mass defection. "There has been a cabal of some kind which has carried out detailed negotiations to move elsewhere," he said. Tha directors and most of their colleagues, who have been working in Wico's offices in London, Tokyo and Hong Kong, will be joining Swiss Bank Corporation International.

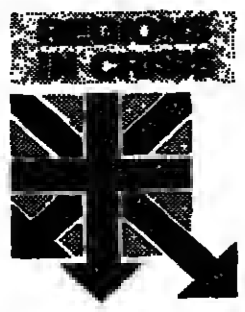
Earlier this year Wico, which was acquired by Exco in 1982, was confronted by demands for improved pay and conditions from several of its senior staff, including those who have just resigned. In response, Exco introduced an unusual share option scheme specifically for Wico staff. Its generous terms were criticised by Exco shareholders at its annual meeting in June. However, the scheme has proved inadequate to appease many Wico employees. Three weeks ago, its entire team of seven traders in Japanese convertible stocks resigned to join Barclays da Zoete Wedd.

Mr Davey said: "It is bad news, but Wico has over 400 staff and will emerge in a slightly different shape." The initial 10 per cent fall in the Exco share price was overdone, he added, as Wico contributes only 5 per cent of Exco's pre-tax profits.

UK NEWS

Anthony Moreton reports on Scotland and Northern Ireland

Foreign investment helps cushion industrial decline



REGIONAL POLICY in Scotland has increased employment in its assisted areas by between 90,000 and 100,000 jobs in the period since 1960, according to the Government's Regional Development Programme, 1986–90, submitted to the EEC.

This has had a "significant impact" on the country's industrial growth and performance and helped to improve the performance of established industry and to attract investment.

In particular, the creation of the Locate in Scotland bureau in 1981 had contributed towards the attraction of over £1bn of overseas investment to Scotland.

The need for such investment is highlighted by the fact that there are likely to be further job losses within the Government's development programme period, 1986–90, especially in steel and shipbuilding. There is, too, the possibility of losses in coal, and the report notes that recovery is only proceeding slowly in manufacturing industry.

The European Regional Development Fund has made a substantial contribution towards the improvement of the infrastructure, having made grants totalling £375m in the past decade. Gaps remain, though. In particular, the development of new sites for industrial development will require the provision of local services, and, in some cases, improvements to the regional infrastructure networks.

Renewal of roads, water mains and sewers, now the best part of a century old, are considered a priority in urban areas.

The report says of Strathclyde, the main industrial part of Scotland, containing Glasgow and the Clyde towns, that the locational advantages which were the area's strength a century ago have turned to its disadvantage.

Sea trade has shifted, the pattern of Britain's trade has been reorientated to the east as markets have moved from the Commonwealth to continental Europe and new manufacturing products are being made nearer their consumer markets.

The long decline of the structural industries – steel, shipbuilding, engineering – and even older ones, such as textiles and tobacco, have made the area extremely vulnerable. In the 1960s 42 per cent of employment was in manufacturing; now it is 23 per cent, less than the UK average of 26 per cent.

The east of the country, around Edinburgh, has fared better even although there have been severe job losses. About 37 per cent of the workforce remains in manufacturing.

Problems of unemployment are severe in some inner-Glasgow areas, as well as in suburban housing schemes, some industrial towns and coal areas. A fifth of the people under 25 are thought to be out of work.

Although the problems of Scotland stem from its 19th-century narrow-based economy, there has been a considerable inflow of new industries in recent years. By 1984 the electronics industry alone employed more than 40,000 people in Scotland in over 200 companies with large American and Japanese concerns intermingling with smaller indigenous ventures.

The slowing-down in oil-related employment will pose certain problems, especially in the north-east, but employment opportunities are still expected for at least the next 10 year in this sector and possibly even further ahead. Potential opportunities also exist in the processing industries such as food and timber.

NORTHERN IRELAND UNEMPLOYMENT	Men	Women	Total
Total	92,400	33,900	126,300
% (of all employees)	27.9	13.6	21.7
Aged under 25	34.7	46.3	37.8
Long term, over 1 year, %	53.8	32.1	48.9
over 3 year, %	27.5	11.3	25.2

Northern Ireland has suffered from the same problems as the rest of the UK but to a greater degree. Whereas the recovery in the UK had, by 1985, restored industrial production to the 1979 level, in the province it was still 9 per cent below 1979.

All the indicators show that Northern Ireland has suffered more than the rest of the UK. The number of employees declined at a faster rate than elsewhere between 1979 and 1986.

The principal economic problem remains a persistent and substantial over-supply of labour. The intractability of the situation can be seen from the statistic that about half the total of unemployed people last year had been out of a job for at least 12 months.

The medium-term outlook for the province is uncertain, especially as the rate of private investment is insufficient to generate the rapid growth needed in the economy. There have been some encouraging signs in growth of output, but this has failed to generate new employment in manufacturing.

In addition, the service sector is dominated by the public sector, and the climate of constraint seems likely to curtail further growth in employment in this area.

A high rate of increase in the population will put extra strain on the workforce as well as a decline in outward migration in the 1980s compared with the previous decade.

In the absence of an increase in demand for labour there is every likelihood, the report states, that unemployment will increase.

Japanese search for bases

BY JAMES BUXTON, SCOTTISH CORRESPONDENT

JAPANESE COMPANIES are stepping up their search for overseas locations in which to establish manufacturing plant as a result of the recent sharp rise in the value of the yen, which has made manufacturing in Japan less competitive. This was stated yesterday by Mr Robin Duthie, chairman of the Scottish Development Agency (SDA).

The agency, which manages the Locate in Scotland organisation, must succeed in attracting at least its fair share of the new Japanese investment, Mr George Mathewson, chief executive of the SDA, said. But he added that competition in Europe, the US and the newly industrialised countries to attract Japanese investment was "extremely strong." There is a small number of Japanese companies in Scotland including Mitsubishi and NEC.

Mr Mathewson, who had just returned from a visit to Japan, said he had been told by a leading Japanese banker that manufacturing had no long-term future in Japan.

Mr Duthie and Mr Mathewson were presenting the SDA's annual report for the year to March 31 1986. It showed that the agency had agreed 58 inward investment projects in 1985/86 worth £562m. Government assistance to these projects would total £41m and create 4,863 new jobs and safeguard 3,554. In the previous financial year the agency brought in 69 investment projects worth £689m.

Mr Mathewson said that the most serious threat to the Scottish economy was caused by the downturn in the oil industry as a result of the collapse in the oil price. The SDA believed that some 10,000 oil-related jobs had been lost in Scotland since last January out of an original total of 90,000. This figure excludes job losses in the major oil companies based in Scotland.

Auctioneers sell idle oil rig

FINANCIAL TIMES REPORTER

A 116-ft-high oil rig lying off the Scottish coast was sold at auction yesterday to a Norwegian banker for £15m.

The semi-submersible Glomar Arctic II was offered for sale by the Court of Session in Scotland to raise money owed to creditors of the rig owners after the slump in world oil prices.

The rig has been lying stricken, along with about 12 others, in the so-called "oil graveyard" of the Cromarty Firth in the north of Scotland.

The exploration company Global Marine of Texas could not use it because of the collapse in the market. But yesterday it was sold by auctioneers Phillips in Edinburgh for just a fifth of the cost to build it in Finland two years ago.

The rig was bought by Mr Per Ugland, acting on behalf of its original trustees, the First City National Bank of Houston, Texas. They bought back the rig in order to begin paying off creditors and free it from the hands of the court.

Mr Ugland, who made the only bid, said there were no plans yet for the rig's future, but experts believe that it will be sold to another oil company when the oil market picks up. The rig, which has accommodation for 100 people and has a fully equipped hospital, is likely to remain in the north of Scotland for the foreseeable future.

Although the bankers have ended up with a sizable shortfall on the original £43m mortgage, one expert said: "This has been a good day for the bank. You won't see any of their staff lying about on the floor saying they are ruined."

One possibility being considered is that Glomar Arctic II could be used for exploration in the newer markets of India, Brazil and South-East Asia.

Hatchback increases sales by Nissan

By John Griffiths

NISSAN'S small Micra hatchback outsold the Austin/MG Montego and Maestro ranges and Ford's Orion to achieve seventh place in the UK new car best-seller list last month.

It was instrumental in lifting Nissan UK's market share sharply to 7.88 per cent for the month. In the third week of October Nissan on some days was achieving up to 12.5 per cent of recorded registrations.

The October performance brought Nissan's share for the year to date to 5.74 per cent.

It comes immediately ahead of internal discussions within the Japanese Automobile Manufacturers Association on how Japan's import quota to the UK should be divided up next year.

The Colt Car Company, part-owned by Mitsubishi, has claimed that Nissan UK cannot sell all the cars available to it in the UK and that there should be a 10 per cent cut in its quota.

Austin Rover slipped into third place behind General Motors' Vauxhall Opel subsidiary in the UK new car sales charts last month. Its share of 14.32 per cent compared with Vauxhall's 14.88 per cent – and both were well behind Ford's market-leading 26.15 per cent.

Despite the recent rise in interest rates, statistics from the Society of Motor Manufacturers and Traders show that sales are still on course for a record for the second year in succession.

Total registrations last month were 133,082, up 2.05 per cent on the 130,406 achieved in the same month last year. They brought the total for the first 10 months of the year to 1,674,965 – up 2.57 per cent on the 1,632,957 of the year-ago period. Last year sales went on to reach a record 1.832m.

The share of the market taken by imports last month fell sharply, to 54.51 per cent. This compares with 57.17 per cent in the same month of last year and reduces the share taken by imports in the current year to 56.41 per cent (58.4).

Among the importers which fared particularly well were Volvo, which achieved a record market share of 4.29 per cent and whose cumulative sales for the first 10 months of this year, at 59,300, have already exceeded the total for the whole of last year.

Once again Ford scored a hat-trick in the top 10 list of best sellers in October, which were: 1. Ford Escort 10,981; 2. Ford Fiesta 9,076; 3. Ford Sierra 8,561; 4. Vauxhall Cavalier 7,693; 5. Austin/MG Metro 7,390; 6. Vauxhall Astra 6,402; 7. Nissan Micra 5,862; 8. Ford Orion 3,806; 9. Austin/MG Montego 3,490; 10. Austin/MG Maestro 3,326.

Nissan loss, Page 25

THE PROPERTY MARKET

US INVESTMENT

CNT takes bigger bite

BRADBURY DYER III had tax problems. The 44 years old Texas fund manager also had 20.7 per cent of the equity in Bay Financial Corporation. These shares, he felt, weighed too heavily in his portfolio. Sell them and he would solve two difficulties et once.

That was a year ago. What he did not know then was that a buyer with an open pocket ready to put them in was in fact a next door neighbour — the American arm of Country and New Town Properties in London.

Bay is a long-established US land company which in recent years has started developing in its own right. Country and New Town (CNT) has been quietly building up its US portfolio this decade to the extent that it now has $100m worth of property all fully let, plus some boldings in Canada.

Both Bay and CNT have developments at Valley Forge in Pennsylvania. The two companies were on adjacent sites but hardly knew each other.

Now they live together. CNT is spending $42.4m, borrowed especially for the purpose, to take 39.6 per cent of Bay. And tomorrow CNT shareholders will receive a letter abont it, calling them to an extraordinary general meeting.

What happened was that Mr Dyer's New York advisers made contact with Debenham, Tewson and Chinnocks, the London agents, and Debenham made contact with CNT. At that point Debenham had never before dealt with CNT.

Gerald Newton, the CNT chairman, looked at the Bay accounts and found the company was bundled up with assets, widely spread over the US. Some, it was true, were somewhat outside CNT's commercial and office babits of thinking — residential properties, a loss-making hotel and a vineyard.

But the accounts also showed that Bay was pulling back after e disastrous 1984-85 fiscal year when net income had slumped to $568,000 from $11m the year before. In the year to last May, net income had recovered to $1.87m.

So at the beginning of August, Mr Newton met both Mr Dyer and Bay senior board members. The basic deal was set up then. Mr Dyer would provide his own stake, plus nearly 10 per cent more of the total Bay equity held by his associates. And CNT went into the market. Over the next six weeks it bought up 4.9 per cent of Bay's stock.

On September 19, Bay bed a telephone board meeting. Two days later Mr Newton arrived and by September 23, it was all over.

On the market CNT had paid $27.80 a share. For the Dyer stock it had paid $36.50 a share, 90 cents more than CNT's own accounting of the asset value of each share but $8.70 less than the US accounting of the fair market value per share.

CNT, with the ample security of unmortgaged properties, took a three year loan to finance the deal bnt Mr Newton said this will be refinanced later. British and Commonwealth Shipping, which owns 42.55 per cent of CNT is happy about this.

As the Newton family holds about another 9 per cent of the CNT shares there should not be mnch trouble at the extraordinary general meeting.

Mr Newton himself, a low profile property chief, acknowledged that the Bay deal "is an enormous bite, but on the other hand we now have e firm base in the US." And this CNT has coveted since, in 1981, it bad a rights issue precisely to expand the North American property portfolio. Now around half of CNT's assets are in North America. Total assets are in the books at £142m.

Had CNT left it another year before trying to buy into Bay then, arguably, Bay would have been more expensive as the letting ratios of its developed properties improved. Also it would probably bave incurred more obligations as well.

"We now bave direct access to the US capital markets," said Mr Newton, "and we have reinforced our position as a long term investor in the US."

PAUL CHEESERIGHT

Rosehaugh Stanhope in Spitalfields bid

ROSEHAUGH STANHOPE formally entered the lists for the development of the historic Spitalfields site, just outside the eastern boundary of the City of London, with the publication of a masterplan devised by Leon Krier.

The development team, already pressing ahead with nearby Broadgate on the site of the old Broad Street station inside the City limits, bas been considering Spitalfields for some time. But it waited for the publication of the Tower Hamlets planning brief for the area.

This is one of the oddities of the situation. The site itself is owned by the City of London, with part of the frontage owned by the Spitalfields Development Group, but the location is in Tower Hamlets. And the City has made it clear that planning permission needs to be obtained from Tower Hamlets before it will consider selling the site.

Spitalfields Development Group—the London and Edinburgh Trust-Balfour Beatty-County and District consortium—has been repulsed in its attempt to buy the site, at least partly because it has not had planning permission from Tower Hamlets.

This failure to rush the site purchase through has left the way clearer for Rosehaugh Stanhope and, indeed, for C. H. Beazer which is also said to be considering a rival plan.

Spitalfields Development Group did not wait for the Tower Hamlets planning brief before showing its hand and it got the ratio between residential and other uses badly wrong in terms of the Tower Hamlets criteria.

Rosehaugh Stanhope has been able to avoid this. According to Mr Stuart Lipton of Stanhope, the masterplan it is offering follows the requisite mix: 55 per cent for housing and 45 per cent for offices.

"The high content of offices, rather than being concentrated in one single location, is divided into seven blocks of different sizes end distributed throughout the project area. A checkerboard pattern of functional distribution alternating offices, residential and other uses, is, we believe, the answer to functional monotony and formal uniformity," Mr Lipton said.

The Rosehangh Stanhope plan envisages the Spitalfields site as a city within a city to rival Covent Garden and Mayfair.

But it is clear thet this dream, or other versions of it from different developers, is no short term part of the response to the pressure in the City for more space. Apart from unravelling the complications of the City-Tower Hamlets relationship, there also needs to be a bill passed through Parliament to give permission for changing the site of the Spitalfields market. The whole business could take years.

UNDER THE CITY

Developers plan a deeper dig

CITY WORKERS are being driven underground by new planning rules aimed at strengthening the attraction of London as a financial centre. Developers are drawing up plans for "bargain basements" which will give them bonus office space below new buildings.

The moves stem from policy changes made by City planners seeking ways of relieving pressure on space.

One proposal was to relax restrictions on plot ratios—the proportion of space allowed on each square foot of land. This ratio would also be measured differently, excluding areas like basements and plant rooms from the amount of floorspace.

Planners proclaimed that creating a uniform ratio of 5:1 (that is 5 sq ft of offices for every 1 sq ft of site) and using the new method of measurement would create an extra 17.4 per cent of lettable space.

But the arithmetie may not prove so simple. Quantity surveyors Gardiner and Theobald have tested the new system of measurement on e few existing buildings and found it would have yielded an average increase of less than 1 per cent in floor area above ground if it had been used at tha outset.

That meant that developers' and tenants' dreams of extra space overlooking the City could be dismissed. The only way of reaching the planners' promised target would be below ground.

"The new era of development schemes is likely to include offices down to the lower basement level lit by an internal atrium or created within an internal glazed envelope," according to the surveyors. Other uses could include canteens, dining rooms, gymnasia and squash courts. But at least one City development has been adjusted since the draft plan came out to include a second basement, with plant and storage in the lower one and 4,000 sq ft of offices in the upper basement.

David Male of Gardiner & Theobald seems firmly to believe that developers will dig in. Problems of lighting and higher costs will test their ingenuity. "But without doubt they can create basement space at a profit with the right sort of building," he says.

Burrowing down can apparently cost up to 30 per cent more than building upwards, and only half the space may earn rent compared with the 75 per cent above ground. Rents would also be lower. But this should be outweighed because the site, which can form half the outlay for each square foot built in the City, is literally coming free. It has already been paid for in the building above.

A rash of "bargain basements" will not come as a total surprise to City planning Chairman Michael Cassidy, who pointed out when the draft local plan was launched that e good proportion of the City was hiddan below ground.

The challenge will be greatest for designers to integrate lightwells (now elegantly renamed atriums) into their buildings. This is ironic, considering that financial tenants such as Salomon Brothers and Barclays de Zoete Wedd have been merrily filling in those recently built, as they were the only spaces big enough to contain giant dealing floors.

In fact dealers, working to their own global time scales in vast windowless rooms above ground, may be the perfect troglodytes to move into these man-made caverns.

David Lawson

Opposition ridicules Lawson's assurances

By Ivor Owen

ASSURANCES by Mr Nigel Lawson, the Chancellor of the Exchequer, in the Commons yesterday that the big increase in public expenditure announced in his Antumn Statement did not mark the end of the *medium-term financial strategy* were ridiculed from the Opposition benches and *received* with unconcealed scepticism by some Conservative backbenchers.

Labour and Alliance MPs accused the Chancellor of preparing the way for a *spending spree* in the run up to an early general election, while **Mr Michael Fallon** (*C, Darlington*) claimed that the groop of senior Cabinet *ministers* charged with limiting the demands meda by the spending departments had heen transformed from "a star chamber to a school tuck shop."

This sally from the Government *back* benches *momentarily* put the Chancellor out of his stride but be recovered by insisting thet some of his Cabinet colleagues—and be declined to name them—who had appeared hefore the Star Chamher would be "slightly surprised" to hear it being described in such terms.

Mr Lawson refused to be drawn into commenting on the prospects for tax cuts in his spring Budget but stressed that "a pound used in higher public expenditure is a pound *not* available for a reduction in taxes."

Amid laughter from both sides of the House, **Mr Dennis Skinner** (Lab, Bolsover) interjected: "Unless it is an election pound."

Mr David Howell (*C, Guildford*) indicated to his fellow Tory backbenchers that too much should not be read into the Chancellor's caution over the prospects for tax cuts by emphasising that the increases in public expenditure were likely to be matched by the increased *amounts being* received by the Revenue.

To cheers from his colleagues on the back benches he maintained that this was "an en*couraging* prospect for those who still want to see substantial tax cuts."

Mr Lawson said he shared Mr Howell's desire to see substantial and continuing tax cuts but beld to his earlier caution by saying "what the prospects will be in next year'a Budget is *something* we *shall* have to wait until then to see."

Mr Roy Hattersley, *Labour's* shadow Chancellor, welcomed the increases in public expenditure on health, housing and education, although describing those planned for health and housing as "small."

To *Labour* cheers, he contended that the sick and bomeless and the parents of schoolchildren would wish that there wash a general election every year.

Mr Hattersley argued that they would also wonder why they had to wait so long and that they would not believe the Government's sudden change of heart and sudden change of judgement "could possibly survive a Tory election victory."

He told the Cbancellor that he was fast losing "whatever *reputation* you once possessed for financial respectability."

Mr Hattersley *also* complained that the Chancellor was claiming credit for the buoyancy of the revenue even though it had largely resulted from the high level of wage increases he had consistently condemned.

After asking if the medium term financial strategy had *finally been laid to rest*, *he* demanded: "Having made thie apparent swerve, how do yon justify the waste and suffering of the seven years of previous policies?"

Mr Lawson reminded the House that he had "specifically reaffirmed" the medium term financial strategy in the course of his statement.

He had also made it clear that there would be no *expansion of the public sector borrowing* requirement in the coming financial year when it would be held to 1¾ per cent of the gross domestic product.

The Chancellor also highlighted the fact that the buoyancy of the revenue was in part due to the "greatly increased" profitability of companies which had led to e large increase in *the yield* of corporation tax. "We are not changing course," *he insisted.*

Mr Neil Hamilton (*C, Tatton*) recalled that *public* spending had increased in real terms in *every* year since tha Conservatives returned to power in 1979 and asked when the Government would he "getting to grips" with it with a view to achieving a real reduction.

Mr Lawson replied that there had been a steady improvement in the position inherited in 1979 but admitted that in the three years immediately ahead public expenditure would continue to grow but at a slower rate than in the preceding period.

When **Mr Nick Budgen** (G, Wolverhampton South West) underlined the Government's change in attitude as to which indicator of *monetary growth* offered the best means of avoiding the economy of becoming overbeated, Mr Lawson answered that MO, the narrowest of aggregates, won "on track."

Full text of the Chancellor's autumn economic statement

MR NIGEL LAWSON, the Chancellor of the Exchequer, said in his statement to the House of Gommons yesterday:

With permission, Mr Speaker, I should like to make a statement.

Cabinet today agreed the Government's public expenditure plans for the next three years.

In the normal course of events that would be followed by the publication of the printed Autumn Statement, accompanied by an oral *statement* to the House, next Tuesday. For ohvious reasons that is not possihle this year.

So while the A ntumn Statement will be printed in the normal way and presented to parliament as soon as the House reassembles next Wednesday, I thought it would be for the convenience of the House if I made my oral statement today.

This will cover all three of the key elements in the printed statement: the Government's outline public expenditure plans for each of *the next three years* and the expected outturn for this year; *proposals* for next year'a national insurance contributions; and the forecast of the economic prospects for 1987 required by the 1975 Industry Act.

The full text of the economie forecast, together with the public expenditure figures and the *rest of the information* customarily puhlished with this statement will be *available* from the Vote Office as soon as I have aet down. They will also appear in the printed Autumn Statement to be published next week.

I turn first to the outturn for the current financial year, 1986-87.

The *public expenditure* planning total now looks likely to amount to almost £140¼bn—£1¼bn, or a little less than 1 per cent, above what was allowed for in this year's Public Expenditure White Paper. The main reason for this excess is e 9 per cent rise in the current spending of *local authorities—far more* than was provided for.

However, other items on the expenditure side, the largest of wbich is debt interest, are likely to fall short of what was forecast at the time of the Bndget, thus reducing the total overrun on the expenditure aide to about £¾bn.

On the receipts side, the North Sea *tax is likely* to be even lower, by about £1bn, than I envisaged at the time of the Bndget, largely because for a long period the oil price has been below the $15 a barrel level on which the Budget arithmetic was explicitly based.

This shortfall, however, is more than offset by the continuing buoyancy of non-oil tax revenues, in particular VAT and Corporation Tax. Non-oil revenues now look likely to exceed the Budget *forecast* by £2bn. This would imply a net *overrun* on the *receipts* side of about £1bn, rather more than that on the *expenditure* side.

But this will he reduced by e ebange I *propose to make* to the North Sea fiscal regime.

The collapse of the oil price has led to e sherp cutback in investment *activity* in the North Sea, with inevitabla consequences for the UK offshore supplies industry both in Scotland and the north-east of England.

I therefore propose, on a carefully targeted basis, to accelerate the arrangements for the repayment to the oil companies of Advance Petroleum Revenue Tax due *to* them. The details of this change, which will *require legislation early* in the new session of Parliament, are set out in a press notice which the Inland Revenue will be issuing as soon as I have sat down. The new arrangements will have a revenue cost this financial year of some £300m, whicb will be fully recouped over the next three years.

Taking this into eccount, the Puhlic Sector Borrowing Requirement for the current *year is still forecast to* be about £7bn, the figure I set in the Budget.

I turn now to the public expenditure plans for the next three years.

Since 1982-83, public spending, both before and after deducting the proceeds of privatisation, has been declining as a proportion of national *output. It is* set to be lower still this year. The Government is determined to ensure that this trend continues: to see to it that total public spending, even without taking account of privatisation proceeds, continues to decline as a percentage of GDP. The plans I *am about* to *announce* for the next three years secure that objective. *Indeed*, they *show* that by the end of the period the ratio of public epending to national output will be back to the level of the early seventies.

But within this overall constraint, and in the context of *its policy priorities*, the Government has felt it right to *allow* an *increase in* the previously announced planning totals for 1987-88 and 1988-89. Compared with the prospective outturn for the current year, we are now planning for an everage growth in the public *expenditure planning* total of about 1¼ per cent a year in real terms, well within the prospective growth of the economy as a whole.

Mr Nigel Lawson, the *Chancellor*, on his way from 11 Downing Street yesterday to deliver the statement

The new planning totals have thus been set at £148½bn for 1987-88 and £154½bn in 1988-89, an increase of £4¾bn and £5½bn respectively over the totals previously published. For 1989-90 the *planning* total *has* been set at £161½bn.

As usual, these totals *incorporate* estimates for the proceeds of privatisation. Last year I increased the estimate of these proceeds very substantially to £4¾bn in each of the three Survey years, a figure *which I expect to* be *duly* achieved this year. Although the privatisation programme *is* now moving ahead more strongly than ever before, I have decided to make only e modest further edditiou to this estimate, bringing lt to £5bn in each of the next three years.

The new planning totals also contain substantial reserves, rising from £3½bn in 1987-88 to £7½bn in 1989-90.

The public expeoditure increases I beve announced allow us to make realistic provision *both for local* authority *current* expeoditure, over which the Governmeot bas no direct cootrol, and for demand-led programmes such as social aecurity, while still leeving scope for increased spending on services to which the Government attaches particular priority.

Bnt before referring to some of themore important *changes*, let me make one thing absolntely clear. There can be no question of allowing the projected increases in puhlic expenditure over the next two years to undermine the prudeoce of the Government's overall fiscal stance. The Government's fiscal *stance* has been clearly set out in the medium-term financial strategy published at the time of this year's Budget. There will be no relaxation of that stance.

Within the totality of public *expenditure*, the largest increase is for the local authorities, whose current spending next year is now put at £4bn above the previous provision. This in part reflects the fect thet the previous plans simply carried forward the same level of cash spending as in 1986-87. At the same time, we are increasing next yeer's Aggregate Exchequer Grant—the contribution *that* taxpayers make to local government spending—by *almost 10* per cent over this year's Settlement; a rise of almost £1½bn.

These substantial sums demonstrate in perticular the priority the Government is giving to educetion, which, including the new proposals on pay and conditions of eerviee *for teachers* announced last week, accounts for about half the *increase in provision*. There is also a substantial increase in provision for the police.

On top of the increased provision for the cost of education in schools, which is contained within local euthority current spending, there will be additional spending on tha universities of £60m in 1987-88 and £70m in 1988-89.

Spending on the bealth and persooal social services will be increased by more than £600m. For the National Health Service alone, the increase in England amounts to over £300m a year. Combined with the additional resources being generated by greater efficiency, this will *not only* enable the health service to cope with the grow*ing* number of elderly patients but will also allow it to improve services.

Gross provision for housing investment is being increased by £450m. This will sustain the rising trend of spending on local authority renovation and improvements and provide edditional resources for the housing associations.

In the light of this year'a experience, £1¾bn has been added to next year's provision for social security, most of which represents a greater expected expenditure on existing means-tested benefits.

Provision for investment in roads is being increased by £65m next year and £75m the year after, mostly for local authority roads.

For defence, the provision *remains* as planned in the last white paper after allowing for minor changes, including a *reduction in the estimated* cost of the Falklands deployment. The defence programme *will* continue to benefit from the substantial real growth in previous years and the wide-ranging action to improve efficiency end *value for money*.

Taking all programmes together, the additions *to* planned *capital expenditure* amount *to* getting on for £1bn in 1987-88, of which about *two-thirds is* local authority spending.

Further details of these and other changes will be contained in the printed Autumn Statement *which will be published* as soon as the House returns next week. *In addition, full* details, together with information on running costs and manpower, will be given in the public expenditure white paper early in the New Year.

I now turn to National Insurance contributions.

The Government have conducted the usual autumn review of contributions in the *light of* edvice from the Government Actuary on the prospective *income and expenditure* of the National Insurance Fund, and taking account of the benefit uprating which my Rt Hon Friend the Secretary of State for Social Services announced on 22 October.

The lower earnings limit will be increased next April to £39 a week, in line with the single person'a pension, and the upper earnings limit will be similarly raised to £295 a week.

The limits for the reduced rate bands which I announced in last year's Budget *will also* be increased again in April, but by proportionately larger amounts. The upper limit for the 5 per cent and 7 per cent hands will be raised to £65 a week and £100 a week respectively, and the upper limit for the 9 per cent rate for *employers* will be raised to £150 a week.

The *taxpayer's contribution* to the National Insurance Fund — the so-called Treasury Supplement — will be reduced hy 2 per cent to 7 per cent, but this will not require any change in contribution rates. Thus the main Class 1 contribution rates will once again *remain* unchanged at 9 per cent for employees and 10.45 per cent for employers.

Finally, I turn to the Industry Act Forecast.

Both growth and inflation have turned out to be slightly lower this year than I envisaged et the time of the Budget. Growth now looks like turning out at 2½ per cent, against a Budget forecast of 3 per cent, and inflation in the fourth quarter of this year *is* likely to be 3½ per cent, against the Budget forecast of 3½ per cent.

The principal reason for this slower growth has been the disappointing performance of exports, which were hard bit by *the cutback in spending* by Opec and other primary producers affected by the sharp fall in commodity prices in general and the oil price in *particular*.

Combined with a halving in the value *of our own* oil exports, this has meant a significant *deterioration* in *the* eurrent account of the balance of payments, from a surplus of some £3bn in 1985—and e cumulativce surplus of £21bn over the six years from 1980 to 1985 inclusive—to a forecast of broad balance for 1986.

Looking ahead to 1987 the prospects are generally encouraging.

While the necessary adjustment of the exchange rate to the oil price collapse has now taken place, it will inevitably take time before the *full* benefits come through in higher nonoil exports and lower import growth. This means we can expect the current account of the balance of payments to go into deficit next year, for the first time since 1979, to the tune of some £1½bn.

Even so, non-oil exports are forecast to rise next year by 5½ per cent, compared with an increase of only 1 per cent this year, with manufacturing output, in consequence, up by 4 per cent. And with domestic demand continuing to expand et the same rate as this year, the economy overall is likely to grow by a further 3 per cent *next year—the sixth successive* year of steady growth at an average *annual* rate *of almost* 3 per cent.

Recorded *inflation* is likely to edge up a little, to 3¾ per cent in the fourth quarter of 1987. This is almost entirely due to the effect on the RPI of the timing of mortgage rate changes. The Government's *commitment* to a monetary policy that will squeeze out inflation *remains unabated*.

Meanwhile the likelihood of faster growth next year, coming at a time when unemployment already appears to have stopped *rising*, suggests that the prospects for some fall in unem*ployment are now more promising*. But this promise could still be frustrated by excessive pay settlements.

Mr Speaker, the strategy we have followed since 1979 has brought inflation down to the lowest level for two decades, combined with sustained *growth* and *steadily rising* living standards. This is a combination that has eluded successive governments for a generation. We have brought it about by the determined pursuit of free markets and sound money. And that is what we will stick to.

Government steering no steady course says Hattersley

BY TOM LYNCH

INCOME TAX cuts will be used *to buy* votes *for the Conservatives* in the next general election, Mr Roy Hattersley, the shadow Chancellor, told thet Commons yesterday.

Opening a debate on the Government's economie record, he made a savage attack on current economic policies, describing *unemployment* levels as "intolerable" and interest rates as "prohibitive."

"The Government is certainly not steering the same course as last year," he said. "It is steering no steady eourse et all. Part of the reason for the swerving and skidding is the *result of the abandanmonet of* the medium term financial strategy."

He rejected government claims that the strategy was still in place. "The MTFS is either mortally wounded or deed—and so it should be."

The pursuit of the MTFS *targets* "*has devastated* the real economy," Mr Hattersley said. He rejected the Government's arguments that output was at its highest level in history. "All that means is that we are no longer doing worse than we were on the day the Conservatives were elected — and for some years we were doing worse."

He said the balance of trade in manufactured goods had gone from a *£4bn surplus* when Labour left office in 1979 to a £4bn *deficit*. There were now 1,207,000 fewer jobs than there had been in 1979.

Now, he said, the country was facing "a consumer-led balance of payments crisis. The Chancellor's response to that is to attempt to buy votes by cutting taxes as I have not the slightest *doubt he will do in next year's* Budget."

He conceded *that inflation* had been brought down—but it *was* still higher than in France, the US, Japan or West Germany, and it was rising again.

"Their achievement, even in the area ebout which they boast, is relatively poor. For the rest, the record is absolutely catastrophic."

Mr Hattersley said North Sea oil revenues had "briefly filled the hole blown in the economy" by the collapse in manufacturing industry. "Every time the markets get a glimpse of what on present policies the British economy will be when the oil is gone the markets withdraw their confidence." The Chancellor had made the economy dependent *on* the 6 per cent of gross domestic product represented by *oil*.

Mr Nigel Lawson, the Chancellor, rejected *Opposition* charges that *monetary* policy had been abandoned.

Mr Roy Jenkins: 'rolling consumer boom'

Roy Hattersley: 'intolerable' unemployment

"There is absolutely no change in the Government'a view that the key to controlling inflation is monetary policy, and the key *instrument* of monetary policy, is short-term *interest* rates. That policy is delivering the goods."

Mr Lawson acknowledged that interest rates were higher than those in competitor countries—partly because of high pay settlements, partly because the markets feared what would happen if a Labour government took power.

"My objective has to be to *keep short* term interest rates, on average, at whatever level is necessary to achieve the overriding aim of securing monetary conditions that bear down on inflation."

He said the Government had produced "a pretty remarkable turnround" in British economic performance. "Not so long ago, we used to debate whether we could have *sustained* growth without a sharp and damaging increase in *inflation. We have* put an end to that argument. *It is* one debate which has been decisively won by this Government sticking to its guns."

He told MPsthe having of the oil price in the past year had tested government policy. "There were those who would have said a year ago that this halving of the oil price would wreak enormous damage to the British economy. That is another argument which has been decisively won."

Referring to previous pressure to help shore up the oil price, the Chancellor said it must now be obvious to all *that the Government* had no intention of abandoning "the *free market policies* which hava made our North Sea oil industry the success it has been."

He said public borrowing remained on track, despite expectstions that oil revenues would be £6.5bn lower this year than *last*. The ecooomy had weathered this revenue loss because of "the underlying strength and resilience of the economy as a whole, coupled with the prudence of the Government's financial policy."

The *oil* price collapse had made an adjustment in the ex*change rate* necessary, thus improving the competitive position of the rest of industry. However, the Chancellor made it clear that be would resist any further fall in sterling.

"A continuous fall in the ex*change rate would simply mean* even higher inflation — that is *something* no one wants, and to which this Government is absolutely opposed."

Mr Lawson said non-oil exports had resumed vigorous growth and world trade in manufactured goods was set to grow more quickly in 1987.

Mr Roy Jenkins (SDP, Glasgow Hillhead), a former Lahour Chancellor, predicted that Mr Lawson would soon be "up against the wall" in the same way as he had been when the pound was under pressure at the time of the Gonservative Party conference.

He said there was now "a rolling consumer boom which there isn't the slightest chance of moderating before the next election."

Mr Jenkins said it was now impossible to tell what government policy was. It had once clearly been hased on controlling sterling M3—but now that M3 was growing hy 18 per cent the Governor of the Bank of England had been "encouraged to speak out and say it was an unreliable indicator."

Conservative strategy condemned

By Michael Cassell, *Political Correspondent*

MR NEIL KINNOCK, the Labour leader, last night weighed *into* the *Knowsley* North by-election campaign with a blistering attack on the Government's economic strategy.

He *told supporters in* the constituency that the Prime Minister's "monetarist miracle wa in a shambles" and that the Government bed become the "biggest horrowing, biggest spending, biggest taxing end biggest job-axing government in British history."

Mr Kinnock said that, after seven years in government, the Conservatives had wrecked the economy, devastated *many* industries and ruined many lives. He cootinued: "All they ean think of now is a little extra spending to try to save their electoral skins."

He claimed the strategy of Mr Nigel Lawson, the Chancellor, was to "bankroll the Tories for the election by *more* selloffs, a reduced contingency fund, *higher* tax revenues end more borrowing.

"They will try to persuade everyone thet the butchers have become healers and the wreckers builders, that they are now going to spend on health and education and housing, that recovery is at last on the way. But *after seven years* of saying that they 'can't afford,' this last minute splash will be treated with contempt by a British public that does not believe them any more."

Mr Kinnock said the country wanted a government "that puts the attack on unemployment at the *top* of the agenda for action, a government that would work *for* the *systematic* growth of manufacturing industry and the *modernisation and improvement* of public services."

Men and Matters, Page 26

Thatcher refuses to judge Tebbit view

BY TOM LYNCH

THE PRIME MINISTER yesterday resisted Labour pressure to tell the Commons whether she favoured the view of Mr Norman Tebbit, the Conservative Party chairman, or that of the BBC in their row over alleged bias.

Mrs Thatcher answered repeated Question Time challenges from **Mr Neil Kinnock**, the leader of the Opposition, by stressing that Mr Tebbit had a right to make *complaints* to the BBC as part of his freedom of speech, and *it was* up to the governors of the BBC to answer him. "It is not for me to judge between them," she said.

Mr Kinnock told ber the BBC had "*convincingly rebutted*" 39 of Mr Tebbit's 40 charges against the corporation. "The BBC has made no incursion into the free speech of any member of the Government.

"The reverse is certainly not the case. The attempt at coercion is so blatant and so *obvious. Is she* on his side or on the side of the independence of the BBC?"

The BBC governors had done their duty to freedom of speech in replying to Mr Tebbit, who sits in the Cabinet as Chancellor of the Duchy of Lancaster.

Mrs Thatcher told him that the BBC existed under a charter, licence and agreement —and not under statute, as was *the case with other broadcasting* organisations. "The governors of the BBC have a special duty to see that the charter, licence and agreement are upbeld." She said she understood that it would be difficult to take the BBC'a charter or licence to court.

She urged MPs to bear in mind, when listening to Labour complaints about alleged restrictions on freedom of speech, that Labour councils had been found guilty of attempted "censorship" *in trying* to restrict the circulation of newspapers produced by Mr Rupert Murdoch's News International group.

Neil Kinnock: "blatant coercion"

Mr James Callaghan, the former Labour Prime Minister, accused Mrs Thatcher of failing to answer Mr Kinnock's questions and asked: "How much longer does she intend to continue to allow the Chancellor of the Duchy of Lancaster to go on making a fool of the Government?"

To laughter, **Mr Peter Snape** (*Lab, West Bromwich East*) said the Prime Minister should press for a curb on the television appearances of Mrs Edwina Gurrie, the junior Health Minister, "before I start believing that the BBC is biased against the Conservetive Party."

Mrs Thatcher told him: "I am delighted that the honourable members opposite have eo *few complaints about* the economy that they concentrate on thia trivia."

Panorama evidence 'ignored'

SIR MICHAEL HAVERS, the Attorney General, was accused in the Commons yesterday of ignoring evidence of an alleged cover-up by Conservative Central Office over the BBC Panorama lihel case.

The charge came from Mr Workington) who said it was Dale Campbell-Savours (Lab, "absurd" *that* the *transcript* of a tape recording he had sub*mitted* was considered not to warrant e police investigation.

The tape was *sent* by Mr Campbell-Savours to Sir Michael on Tuesday but the Attorney General told the Commons yesterday he did not think the tape transcript contained any evidence which would justify an inquiry.

Mr Campbell-Savours said he believed *the Attorney General* had not givan the transcript his *fullest consideration* and *said* no-one in the Commons should *believe Sir Michael*.

He said: "The fect that the transcript states that a coverup was organised by Gonservative Central Office seems unimportant to Sir Michael.

"The fact that the transcript referred *to perjury* by witnesses—Sir Michael refuses to be drawn on that. The fact that pressure was exerted on witnesses — Sir Michael does not refer to that."

Mr Campbell-Savours continued: "The same Attorney General who refuses to be drawn on political pressure on the Westland leak is the same member who refuses to be drawn on the question of *political pressure on witnesses* to the BBC trial.

"No *one* should believe what is being said hy the Attorney General."

The Speaker, **Mr Bernard Weatherill**, said, however, that no points of order had been raised for him to deal with.

Visa fees to increase by up to 100%

THE GOVERNMENT announced an increase in visa fees of up to 100 per cent last night and sparked off an immediate political storm.

Mr Gerald Kaufman, the shadow Home Secretary, served notice that if a parliamentary opportunity occurred to oppose it, "then we shall."

The increases were annonnced by Mr Tim Eggar, junior Foreign Office Minister, in a *written* Commons reply to Mr Andrew MacKay (G, East Berkshire). They follow the controversy over the introduction of visa requirements for visitors from five Asian and African countries.

A single entry visa goes up from £12 to £20; a multiple entry visa from £24 to £40; and settlement and other long-term entry clearance from £25 to £50.

Mr Kaufman said angrily afterwards: "They are making the victims of their policy finance it.

"Not *only* will it bear very hard on applicants who are often people of modest means, but also the Government deliberately concealed thia from the Commons when they were debating the issue last week when they must have known what they were going to do."

Tory MP's plea over booklet

A TORY MP told the Commons yesterday that en Animal Liberation Front booklet was being distributed giving details of how to make fire bombs from ordinary household goods.

Mr Colin Shepherd (Hereford) said he had a copy of the booklet which not only contained explicit details on bow to make fire bombs, but elso described how to use the devicea to eause maximum damage.

But his plea for an emergency commons debate on the issue was rejected by the Speaker, **Mr Bernard Weatherill**.

It was inevitable that the booklet would come to e wider ettention than people interested in animal rights, said Mr Shepberd.

Mr Shepherd added that he hoped enyone receiving the booklet would immediately burn it and also make *clear their* views to the publishers.

UK NEWS—THE ECONOMIC STATEMENT

GDP increase of 3% and low inflation expected next year

A STATEMENT by the Treasury after the Chancellor sat down said:

GDP is forecast to grow by 3 per cent in 1987, following growth of 2½ per cent his year. Inflation should remain low: the recent rise in mortgage interest payments will edd about half a per cent to RPI inflation for the next year, taking it to 3¾ per cent in the fourth quarter of 1987.

The forecast for the UK assumes that fiscal and monetary policies will be as in the Medium-Term Financial Strategy (MTFS) in the 1986 Financial Statement and Budget Report (FSBR).

Total government borrowing (the PSBR) for 1986-87 is expected to be around £7bn, as envisaged at the time of the Budget, even after taking account of the proposed change in oil taxation. For 1987-88, the forecast assumes, as in the 1986 MTFS, that the PSBR will be 1¾ per cent of GDP. The sterling index is assumed to stay at broadly its present level.

It is assumed that North Sea oil prices average $15 a barrel over the next year.

GNP in the major industrial countries has been rising by 2½-3 per cent a year since 1984. Domestic demand has been rising quite strongly over the last year, but a fall in exports to countries outside the OECD area, including OPEC, has held back overall GNP growth and contributed to a larger fall in the growth of industrial output.

Low inflation seems likely to contribute to the strong growth in domestic demand in most major economies through 1987, while exports to countries outside the OECD area should fall less than this year. Industrial growth in particular should pick up. Export markets for UK manufactures are forecast to grow by about 4½ per cent in 1987, compared to a likely 2 per cent in 1986.

UK domestic demand has grown strongly in the last year, but for most of the year sluggish world demand has restrained exports. In 1987 domestic spending is expected to increase at a similar rate to this year and exports to continue their recent recovery. GDP is likely to rise by close to 3 per cent with manufacturing output increasing by almost 4 per cent.

Employment has continued to rise with around 200,000 extra jobs in the year to June 1986. Unemployment appears to have stopped rising during the last six months. Prospects for some fall in unemployment are more promising as activity picks up and growth in the labour force slows.

Inflation has fallen this year with the retail prices index (RPI) rising by 3 per cent in the year to September compared to 5½ per cent in the year to the fourth quarter of 1985. The low rate of inflation is likely to lead to some reduction in pay settlements. At the end of 1987, RPI inflation is forecast at 3¾ per cent, but excluding mortgage interest payments inflation should be much the same as it is now.

The decline in oil prices, coupled with e pause earlier this year in the growth of world trade, means that the current account is likely to be close to balance in 1986. The volume of UK non-oil exports has bean growing again, and this should continue in 1987 at a pace reflecting the faster growth in UK markets and the UK's improved competitiveness. At the same time, the volume of imports is likely to continue to rise as domestic activity expands. The current account may show a deficit of some £1½bn next year.

THE WORLD ECONOMY

Real GNP in the major seven OECD economies has been growing at 2½-3 per cent a year since the end of 1984. Industrial production in 1986 has grown slowly: reflecting the weakness in exports to Opec and other developing countries.

In the second quarter of 1986, domestic demand in the seven major countries was about 4 per cent highar than a year earlier. But exports have been weak, while imports hava grown rapidly. Both these developments are in part the result of the fall in primary commodity prices and the collapse in oil prices.

The producers of oil and other primary commodities had to reduce their imports while consumers in the industrial countries, enjoying lower inflation and large increases in real incomes, have now started to spend more. Consumer prices in tha major economies are now only 1½-2 per cent higher on average than a year ago; in Japan and Germany they are lower.

In the US, lower inflation and interest rates have given a further fillip to demand, after one of the longest post-war periods of expansion. Only in recent months has there been any sign of improvement in the trade deficit despite the dollar's decline since March 1985. A number of reasons heve been suggested. The strong growth in consumers' expenditure has sucked in imports from abroad. Oil imports have risen to replace high-cost domestic production. The dollar has not depreciated significantly against the currencies of some important trading competitors (eg Taiwan, Korea). Finally, the US has probably been experiencing some of the normal "J-curve" effects of currency movements, which have been exacerbated by the size of the initial trade imbalance — the value of US merchandise imports is half as large again as that of its exports.

Japan and Germany are both experiencing a contraction in tha net external demand for their products as a result of the strength of their currencies and the weaknesses in the developing world. In Germany, the growth of consumption has risen, which, together with an investment recovery, has helped to raise the growth of domestic demand and counter the external slowdown. In Japan, however, investment has weakened and real GNP growth has fallen well short of potential. Largely as a result of sharply reduced oil import bills and the initial J-curve effects of their exchange rate appreciations, both countries are seeing large increases in their current account surpluses this year.

Oil prices fluctuated in the $8-$15 per barrel range over the summer months, moving towards the top end of the range when Opec announced a short-term prodnction agreement for September and October — now extended to December. Non-oil commodity prices, particularly food prices, fell during the first half of this year; industrial materials prices reached post-war lows in real terms in mid-1986. Since August the prices of industrial materials have risen slightly.

World import volumes seem likely to rise by about 4½ per cent in 1986, partly as a result of increased trade in oil. The growth of world trade in manufactures has probably been below the growth of total world imports in 1986.

World oil demand may have increased this year, following the decline during the past five years. Further increases are likely in the next few years partly in response to the lower real oil price. At the same time, lower oil prices may lead to lower production in non-Opec countries end cutbacks in development activity. There should be scope for Opec to increase production in line with increased demand and any cutbacks in non-Opec production. The forecast assumes that North Sea oil prices average $15 a barrel next year — a small premium over world prices.

Food prices are unlikely to strengthen significantly, as rising subsidies to farmers will bolster supply over the next few years. But there is likely to be some rise in industrial materials prices in real terms as industrial production recovers in the major countries.

Table 1 shows the forecast for world activity and trade, and for consumer price inflation.

Low inflation should continue to sustain domestic demand in the major economies. However, in the US the combination of a fall in the dollar and an end to the once-and-for-all effects of lower oil prices may lead to a modest rise in inflation. This could contribute to some slowdown in the growth of domestic demand. The effect of a lower growth in domestic demand on real GNP may be offset hy improved trade performance following the dollar's depreciation.

The economic recovery in Europe seems set to continue; indeed, in many countries, including Germany, output may grow faster next year. Japanese growth, however, may be relatively modest next year as its traditionally strong export performance suffers from the yen's appreciation and domestic demand does not grow sufficiently to offset this.

The major seven industrial countries are expected to grow on average by 3 per cent in 1987. Domestic demand growth is likely to he a little faster and, together with the prospect of some recovery in commodity prices, should lead to some improvement in the financial position of many non-oil developing countries. As a result their imports should start to rise again. Tha oil-producing countries, on tha other hand, may have to cut their imports further.

Growth of total world trade in 1987 may be slightly less than this year. Imports into non-oil developing countries and countries whose exchanga rates have appreciated are forecast to grow quickly. By contrast there may be some slowing in US import growth, while further large cutbacks in Opec imports are expected. Trade in manufacturers, however, may grow rather faster than in 1986. As Table 1 shows, world trada in manufacturers is estimatad to have grown rather more slowly than total world imports in 1986, but is forecast to grow at a similar rate to world imports in 1987, at a little over 4 per cent.

TRADE AND THE BALANCE OF PAYMENTS

The dollar has declined during most of 1985 and 1986, and compared with its peak in February 1985 is now almost 40 per cent lower against both the D-Mark and the Yen. The sterling index rose by about 7 per cent between the two halves of 1985, but has declined by about 13 per cent since oil prices began to fall at the end of 1985. During 1986 sterling has remained broadly unchanged against the dollar, but has fallen against the other major currencies. The forecast assumes that sterling remains close to its present level in both dollar and effective terms.

There has been a marked improvement in tha UK's cost and price competitiveness since the second balf of 1985 as the depreciation of sterling following the fall in oil prices has more than offset the extent to which labour costs have been rising faster in the UK than in most other major countries.

Prices of exports of goods have been rising during 1986, following a small fall et the end of last year. In the third quarter of 1986 export prices of manufactures were some 4 per cent higher than a year ago. Import prices wer weak until very recently since lower world prices for many commodities offset the effects of sterling's depreciation. The non-oil terms of trade, therefore, bave remained relatively steady. They may worsen slightly over the next year as a result of rises in some commodity prices and the recent depreciation of sterling.

The share of UK manufactured exports in the volume of world trade has been broadly steady since 1980 — following tha decline of eariler years. Non-oil export volumes fell in the early months of 1986 when world trade growth was sluggish but have risen again in recent months. In the third quarter of 1986 exports of manufactures were soma 3 per cent higher than in the first half of this year. World markets for UK manufactures are expected to grow more rapidly in 1987. This, together with the lagged banefits from this year's gain in competitivaness, suggests that exports should continue to grow steadily. A rising trend in UK non-oil exports has been evident since tha second quarter of 1986 when world trade began to recover from its slowdown during the winter. The forecast is that a continuation of this trend will bring growth of 5½ per cent between 1986 and 1987—a sharp rise over the 1 per cent growth between 1985 and 1986.

Non-oil imports grew relatively slowly in the first half of this year, but have tended to rise more rapidly in recent months.

Tha volume of imports has risen rather more rapidly than domestic demand, although the increase in import penetration has been less rapid than during some previous periods with similar growth of domestic demand. Manufactured imports rose particularly fast: some 8½ per cent np in the third quarter over the first half of the year. Imports of food have also been unusually high this year as a result of the poor quality of last year's harvest. Imports seem likely to continue to rise strongly in 1987 as domestic activity expands—although the lower exchange rate, together with a return to more normal levels of food imports will tend to slow the rate of growth. Imports of goods are forecast to rise by 6½ per cent in 1987 compared to 5 per cent in 1986.

Net oil exports are likely to be some £4bn lower in 1986 than in 1985 as a result of lower world oil prices. About half of this effect on the current account will be offset by lower payments of interest, profits and dividends to foreign companies from the North Sea. Production from the North Sea in 1987, which is likely to be close to the centre of the range of 110-130m tonnes published in Department of Energy's 1986 Brown Book, is likely to be lower than in 1986. At the same time domestic demand for oil may grow modestly in response to both lower oil prices and rising activity. The oil trade surplus may therefore decline by a further £½bn or so in 1987.

Table 2 shows the main movements in the terms of trade and trade volumes for hoth total visible trade and trade excluding oil and erratics.

The UK'a terms of trade in visible trade have declined in 1986, as e result of lower oil prices, and are forecast to show little overall change next year. The volume of visible exports, which bas been recovering in recent months, is forecast to rise further in 1987, although the overall growth will be beld back by a lower volume of oil exports. The volume of visibla imports, which was almost 5 per cent higher in the first three-quarters of 1986 than a year eariler, is forecast to show a similar growth in 1987.

Tha surplus on invisibles is likely to rise significantly in 1986 as higher earnings from interest profits and dividends (IPD) more than offset a lower surplus on services. The decline in the surplus on services in the first half of this year was partly due to a fall in net tourism earnings, some of which was attributable to fears in the US about terrorism in Europe. The transfers balance, which depends largely on the size and timing of government transactions with the EC, has been in smaller defict this year although there has been a tendency for other transfer payments abroad to rise.

The surplus on interest, profits and dividends rose in the first half of 1986. This reflects not only lower payments from the North Sea but also the effect of sterling's depreciation on UK earnings overseas. The surplus on IPD seems likely to increase further in 1987 as the full-year effects of sterling's depreciation are reflected in earnings overseas. The surplus on IPD seems likely to increase further in 1987 as the full-year effects of sterling's depreciation are reflected in earnings in sterling terms.

The current balance of payments recorded a deficit in the third quarter of 1986, following a surplus of about £1bn in the first half of the year: for the year as a whole the forecast is for broad balance. In 1987 the current account is forecast to be in deficit by around £1½bn. The main factors behind the changes between 1985 and 1986 have been described above. Between 1985 and 1986 the fall in the net oil surplus and the increase in the deficit on manufactures more than offset a rise in invisibles. The forecast for 1987 is that with rising world trade and the benefits of improved competitiveness the current account may show no further deterioration from the second half of 1986.

The large current account surpluses of tha early 1980s, when the value of oil production was at its peak, have enabled the UK to build a large stock of net overseas assets. This stock was about £80bn, equivalent to 22 per cent of GDP, at the end of 1985. It has probably risen further this year.

DEMAND AND ACTIVITY

Over tha five years since the and of the 1979-81 recession, GDP growth has averaged 2¾ per cent a year. After adjusting for the coal strike, GDP grew by 3½ per cent in 1983 and by about 4 per cent in 1984 but slowed down during 1985 as exports weakened. GDP in the first half of 1986 is estimated to bave been around 2 per cent higher than in the first half 1985; and about 1½ per cent higher after excluding the direct effects of tha recovery from the coal strike. Economic activity has started to rise more quickly again, at an annual rate of about 2½ per cent over tha two most recent quarters.

Spending by the personal sector has been strong this year. In the first three-quarters of 1986 consumers' expenditure was almost 5 per cent higher than a year earlier, and the buoyancy of demand in the bousing market has started to show up in bigher private residential investment.

Output of the service industries (accounting for 56 per cent of the economy's total output in 1985) continues to expand quite rapidly: the estimated 3½ per cent growth over the year to the second quarter of 1986 is only a little less than the growth rate recorded over previous two years. Manufacturing output is estimated to have fallen by abont 1 per cent over the year to the second quarter of 1986, after a two year period in which output in manufacturing had been expanding faster than the rest of the economy. In recent months the trend in manufacturing output has been upwards again. For 1986 as a whole, manufacturing output is expected to remain at about the same level as last year.

Real personal disposable income has probably grown by some 4 per cent in 1986, with real consumers' spending rising by almost 5 per cent. The saving ratio has fallen again this year in line with falling inflation. Both earnings and the consumers' expenditure deflator are forecast to rise less in 1987 than this year: the saving ratio is assumed not to change much from its current level. Consumers' expenditure may rise by about 4 per cent next year, with spending on durables rising rather more.

Increased demand for housing has led to a pick up in house prices over the past year and bousebuilding has risen as a result. Private housing starts were about 10 per cent higher in the first three quarters of 1986 than in the same period of 1985. The rise in starts since early 1985 is beginning to show up in the number of houses completed. Spending on improvements to dwellings should continue to reflect the general buoyancy of personal sector demand, so that total private investment in dwellings should show growth of more than 5 per cent both this year and next.

The net real rate of return earned by industrial and commercial companies (ICCs) in 1985 was 11.9 per cent, the highest since 1964. The rates of return earned by non North Sea ICCs and by manufacturing companies were the highest since 1973 and more than donble those earned in 1981. In the first half of 1986 non North Sea ICCs profits net of stock appreciation were some 17 per cent higher than in the corresponding period of 1985. North Sea companies' profits fall by 54 per cent, however, reflecting the fall in tha oil price.

Company spending has been relatively subdued in 1986. As expected the advance warning of the reduction in capital allowances given in tha 1984 Budget caused some capital spending to he brought forward into 1985 from 1986. Non-oil business investment nevertheless seems likely to rise this year by almost 3 per cent, compared with 6 per cent last year. North Sea investment now seems likely to record e fall this year.

Companies' expenditure on stocks has been running at a low level this year: stocks in manufacturing industry fell in real terms in the first half of 1986, as they bad done during 1985. Again, reactions to the 1984 Budget corporate tax changes will have been an influence.

In 1987 non-oil business investment is expected to grow at a similar rate to, or slightly faster than, this year reflecting the current high level of profitability and tha recovery in demand in domestic and foreign

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TABLE 15

CONSTANT PRICE FORECASTS OF EXPENDITU RE, IMPORTS AND GROSS DOMESTIC PRODUCT

£bn at 1980 prices, seasonally adjusted

	Consumers' expenditure	General government consumption	Total fixed investment	Exports of goods and services	Change in stocks	Total final expenditure	Less imports of goods and services	Less adjustment to factor cost	Plus statistical adjustment	GDP at factor cost	GDP index 1980=100
1981	136.9	49.0	37.8	62.7	−2.5	284.0	56.4	30.1	−0.5	197.8	98.7
1982	138.2	49.6	39.4	63.3	−1.1	289.3	59.5	30.4	0.7	200.1	100.3
1983	143.8	50.5	41.7	64.7	0.7	301.3	62.8	31.5	−0.1	207.9	103.8
1984	146.9	50.0	45.5	69.0	−0.1	312.2	68.5	32.7	1.8	212.8	106.6
1985	152.0	51.1	46.3	73.3	0.6	323.4	70.6	33.8	1.5	220.4	110.5
1986	159.3	52.0	47.3	74.1	0.7	333.4	74.1	35.0	1.2	225.4	113.0
1987	165.6	52.8	48.4	76.5	1.4	344.7	77.5	36.2	1.2	232.2	116.4
1985 H1	75.1	25.6	23.4	36.8	0.5	161.3	35.2	16.8	0.5	109.9	110.2
1985 H2	76.9	25.5	22.9	36.5	0.2	162.1	35.4	17.1	1.0	110.5	110.8
1986 H1	78.5	25.7	23.4	36.5	0.4	164.5	35.9	17.3	0.6	111.9	112.2
1986 H2	80.8	26.3	23.9	37.6	0.3	168.8	38.2	17.7	0.8	113.5	113.8
1987 H1	81.6	26.4	23.9	38.0	0.7	170.5	38.3	17.0	0.6	114.9	115.2
1987 H2	84.0	26.4	24.4	38.5	0.8	174.2	39.2	18.3	0.6	117.3	117.6
Per cent changes											
1984 to 1985	3½	½	2	6	—	3½	3	3½	—	3½	3½
1985 to 1986	6	1½	2	1	—	3	5	3½	—	2½	2½
1986 to 1987	4	1½	2½	3	—	3½	4½	3½	—	3	3

TABLE 1

World Economy

(Per cent changes on a year earlier)

	1985	Forecasts 1986	1987
Major Seven countries*:			
Real GNP	3	2½	3
Industrial prodnction	3	1	4
Exports of goods (volume)	4	2	3
Consumer prices	4	2	2
World trade, at constant prices:			
Total imports	3	4½	4
Trada in manufactures†	4	2	4½

* US, Japan, Germany, France, UK, Italy and Canada. † UK weighted.

TABLE 2

Trade in Goods

(Per cent changes on previous year)

	All goods: Export volume	Import volume	Terms* of trade	Goods less oil and erratic items: Export volume	Import volume	Terms* of trade
1985	5½	3	1½	7	4	1½
1986 partly forecast	2	5	−6	1	5	1
1987 forecast	3	5	½	5½	6½	−½

* The ratio of UK export average values to import average values.

TABLE 3

Current Account

£bn

	Manufactures	Oil	Other goods	Invisibles	Current balance
1985	−3	8	−7½	5½	+3½
1986 partly forecast	−5½	4	−7	8½	0
1987 forecast	−7½	3½	−6½	9	−1½

TABLE 4

Domestic demand and GDP

Percentage changes on a year earlier

	1985	Forecasts 1986	1987
Domestic demand	3	3½	3½
Exports of goods and services	6	1	3
Imports of goods and services	3	5	4½
Domestic production: GDP†	3½	2½	3

† Average measure.

TABLE 5:

GDP and manufacturing output

Percentage changes on a year earlier

	1985	Forecasts 1986	1987
GDP (average measure)	3½	2½	3
GDP, adjusted for coal strike*	3	2	3
GDP, adjusted for coal strike and excluding oil ouptut*	3	2	3½
Mannfacturing output	3	0	4

* Adjustments are approximate.

TABLE 6

Costs in Manufacturing

(Per cent changes on a year earlier)

	Unit labour costs	Cost of Materials and fuel*	Estimated total costs†	Output prices*
1984	3	8½	5	5½
1985	4	4	4½	6½
1986 partly forecast	0	−11½	½	4
1987 forecast	2½	2	3½	3½

* Producer prices excluding food, drink and tobacco.
† Including costs of bought in services.

TABLE 7

Retail prices index

Percentage changes on a year earlier

	Weight in 1986	1985 Q4	Forecasts 1986 Q4	1987 Q4
Food	18½	3½	4	2½
Nationalised industries†	6	5½	3½	1½
Housing	14½	0½	6½	10½
Other	61	5½	2½	3
Total RPI	100	5½	3½ (3½)*	3¾

* FSBR forecast in brackets
† Includes water: gas is included in "other" prices

TABLE 8

Employment

Thousands, change in GB seasonally adjusted

	Employees in employment: Male	Female full-time	Female part-time	Self employed	HM Forces	Employed labour force
June 1983 to June 1984	− 37	+ 5	+221	+275	+ 4	+468
June 1984 to June 1985	+ 46	+ 3	+174	+108	0	+332
June 1985 to June 1986	− 59	− 30	+172	+122*	− 4	+199

* Figure for self-employment over the last year is a projection based on self-employment growth over the previous 4 years.

TABLE 9

Output per head of the employed labour force

Annual average percentage changes

	1964-73	1973-79	1979-86
Manufacturing	3½	0½	3
Non-manufacturing*	3	0½	1½

* Includes private sector and nationalised industries other than in manufacturing and oil.

TABLE 10

General government expenditure

£bn

	1985-86	1986-87
Public expenditure planning total	133½	140½
Interest payments	17½	17½
Less public corporations market and overseas borrowing	−1	−1
Other adjustments	6½	5½
General government expenditure in national account terms	158½	164½

TABLE 11

General government receipts

£bn

	1985-86	1986-87
Taxes on income, expenditure and capital	114½	118
National insurance and other contributions	24½	26½
Interest and other receipts	13	12
Accruals adjustments	−½	—
Total receipts	151½	156½
of which North Sea revenues (including allowance for the change in advance PRT in 1986-87)	11½	4½

TABLE 12

Public sector borrowing

£bn

	1985-86	1986-87
General government expenditure	158½	164½
General government receipts	151½	156½
General government Borrowing Requirement	7	8
Public corporations' market and overseas borrowing	−1	−1
Public Sector Borrowing Requirement	6	7
as percentaga of GDP	1½	1¾
Money GDP at market prices	360	380

TABLE 13

Changes to the Estimates of Public Sector Receipts Expenditure, and Borrowing

£ billion

	1985-86	1986-87
Expenditure		
General Government	+1	+1
Public corporations' market and overseas borrowing	—	− ½
Total	+1	+ ½
Receipts		
Non North Sea receipts	+2	+2
North Sea revennes (including effect of policy change for 1986-87)	0	−1½
Total receipts (including effect of North Sea policy changa in 1986-87)	+2	+ ½
PSBR	−1	—

TABLE 14

Economic prospects

	Forecast Percentage changes 1986	1987	Average errors from past forecasts*
A. Output and expenditure at constant 1980 prices			
Domestic demand	3½	3½	1
of which:			
Consumers' expenditure	5	4	1½
General government consumption	1½	1½	1
Fixed investment	2	2½	2½
Change in stockbuilding (as per cent of level of GDP)	0	½	½
Exports of goods and services	1	3	2½
Imports of goods and services	5	4½	3
Gross domestic product:			
Total	2½	3	¾
Manufacturing	0	4	2½
B. Balance of payments			
Current account £bn	0	−1½	3
C. Inflation			
Retail prices index (per cent changes Q4 to Q4)	3½	3¾	2½
	1986-87	1987-88	
Deflator for GDP at market prices (per cent changes on previous financial year)	3	3¾	2
D. Money GDP at market prices (per cent changes on previous financial year)	5½	7	1¾

* The errors relate to the average differences (on either side of the central figure) between forecast and outturn: they are relevant to the forecast for next calendar or financial year. The method of calculating these errors has been explained in earlier publications and government forecasts (see Economic Progress Report June 1981). The calculations of average errors are based on forecasts made between 1975 and 1984. The errors are after adjustment for the effects of major changes in fiscal policy where excluded from the forecasts.

Oil revenue repayment proposal and tax change effects

THE TREASURY said after the Chancellor's statement:

In the House of Commons today the Chancellor of the Exchequer referred to the current difficulties of the offshore supplies industry in Scotland and the North East of England, and announced his intention to introduce a Bill early in the new Session of Parliament to bring forward certain repayment of Advance Petroleum Revenue Tax (APRT) due to the oil companies, which under the present law would have been spread over the next three financial years.

APRT advances the payment of Petroleum Revenue Tax (PRT) into the early years of an oil field's production. These advance payments may be set against future PRT. Under the provision of the 1983 Finance Act, these payments were, in any event, coming to an end: the last period for which APRT is payable ends on December 31, 1986. The fall in the oil price means that some fields will not start to generate and therefore PRT liabilities until much later than expected (if at all) and so will not be able to utilise their APRT credits. Under current law, APRT would not be repaid until 1988 or later. The proposed measure would bring forward to March 1987 repayments of APRT credits on fields that had not reached payback by June 30, 1986, up to a limit of £15m per company per field.

This measure would have a revenue cost in 1986-87 of up to £130m which would be fully recouped over the next three years (£130m in 1987-88, £120m in 1988-89 and £60m in 1989-90).

The accompanying tables show the effects of various illustrative tax changes on receipts of tax in 1987-88 and 1988-89.

The effects of tax changes depend on economic variables, such as prices, earnings and consumer expenditure. The estimates shown are consistent with the Indsutry Act forecast.

An illustrative rate of inflation of 3½ per cent has been used to show the effects of indexation and revalorisation in 1987-88. This is in line with the annual rate of increase in the RPI forecast for the fourth quarter of 1986.

The tables show estimates of the direct effects of tax changes. In practice, tax changes will themselves affect economic variables, which in turn will have further effects on tax yields and on the PSBR. The estimated direct effects are not, therefore, the same as the effects on the PSBR. The approach used here is explained in the Annex to Chapter 4 of the Financial Statement and Budget Report published in March 1986.

The estimates of the effects in 1988-89 assume that the levels of allowances, rates of duty etc set for 1987-88 continue to apply in 1988-89.

INDEXATION OF ALLOWANCES, THRESHOLDS AND BANDS FOR 1987-88

Tables 16 to 18 show tax allowances, thresholds, and bands or 1987-88 ater 3½ per cent indexation. For income tax, rounding follows the rules laid down in the 1980 Finance Act; for inheritance tax and capital gains tax those laid down in the 1982 Finance Act. Estimates of the revenue effects of these changes are shown in Table 19.

DIRECT REVENUE EFFECTS OF ILLUSTRATIVE CHANGES IN INCOME TAX AND CORPORATION TAX

Table 20 shows estimates of the direct revenue effects of illustrative changes in income tax and corporation tax. For income tax allowances and thresholds, these are from the indexed levels for 1987-88.

The effects of the illustrative changes can be scaled up or down over reasonably wide range. However, the extra cost of increasing allowances and, in particular, higher rate thresholds tends to fall as the allowances or thresholds rise. For this reason, effects are given for different percentage changes.

The total cost of a group of income tax allowance changes can be broadly assessed by adding together the revenue effects of each change. However, if allowances are increased substantially and combined with a reduction in basic or higher rates, the effects of the rate reductions will be reduced. In such cases, the cost or yield obtained by adding components from the ready reckoner should be considered only as a general guide.

INDIRECT TAXES

Table 21 shows estimates of the effects of changes in excise duties. The first part shows the extra revenue from the individual duties if they were to be increased by exactly 3½ per cent, together with the price increase that would result (after allowing for consequential VAT). The second part shows the revenue yield from changing current levels of duty so that (after VAT) the price of a typical item is changed by the amount shown.

Table 7 shows the revenue effects of a 1 percentage point change in the rate of VAT.

Within limits the illustrative changes for specific duties can be scaled up or down to give a reasonable guide to the revenue effects. However, with large changes the margins of uncertainty surrounding the effects on sales and hence on revenue become progressively larger, and scaled estimates will be less reliable.

TABLE 16

Income tax

	1986-87 £	1987-88 £
Allowances		
Single and wife's earned income allowance	2,335	2,415
Married allowance	3,655	3,775
Additional personal and widow's bereavement allowance	1,320	1,360
Single age allowance	2,850	2,950
Married age allowance	4,505	4,655
Aged income limit	9,400	9,800

Income tax rates per cent	Bands of taxable income 1986-87 £	1987-88 £
29	0-17,200	0-17,800
40	17,201-20,200	17,801-20,900
45	20,201-25,400	20,901-26,300
50	25,401-33,300	26,301-34,500
55	33,301-41,200	34,501-42,700
60	over 41,200	over 42,700

TABLE 17

Inheritance Tax

Rate on death per cent	Bands of chargeable value 1986-87 £000s	1987-88 £000s
Nil	0- 71	0- 74
30	71- 95	74- 99
35	95-129	99-134
40	129-164	134-170
45	164-206	170-213
50	206-257	213-266
55	257-317	266-328
60	over 317	over 328

TABLE 18

Capital Gains Tax

	1986-87 £	1987-88 £
Annual exempt amount		
Individuals	6,300	6,600
Trusts	3,150	3,300

TABLE 19

Costs of indexation in (1987-88)

	£m 1987-88	1988-89
Indexation of income tax allowances and thresholds	710	950
Of which:		
Increases in main personal allowances	600	760
Increase in the basic rate limit*	70	110
Increases in further higher rate thresholds*	40	80
Indexation of inheritance tax thresholds and bands	18	40
Indexation of capital gains exempt amounts	—	5

* Additional costs after previous changes have been introduced.

TABLE 20

Direct effects of illustrative changes in Income Tax and Corporation Tax

	£ million 1987-88 cost/yield	1988-89 cost/yield
***Income tax**		
Rates		
Change basic rate by 1p†	1,100	1,450
Change all higher rates by 1p	65	150
Personal allowances‡		
Change single and wife's earned income allowance by £100	290	380
Change married allowance by £100	235	300
Change single age allowance by £100	24	32
Change married age allowance by £100	23	30
Change aged income limit by £200	4	6
Change all main personal allowances by 1 per cent	175	225
Change all main personal allowances by 10 per cent:		
increase (cost)	1,725	2,220
decrease (yield)	1,800	2,275
Higher rate thresholds‡		
Change all higher rate thresholds by 1 per cent		
increase (cost)	25	50
decrease (yield)	25	50
Change all higher rate theshoIds by 10 per cent:		
increase (cost)	215	450
decrease (yield)	290	575
Allowances and thresholds‡		
Change all main personal allowances and higher rate thresholds by 1 per cent	200	275
Change all main personal allowances and higher rate thresholds by 10 per cent:		
increase (cost)	1,925	2,650
decrease (yield)	2,100	2,900
Corporation tax§		
Change full rate by 1 percentage point	210	390
Change small companies' rate by 1 percentage point¶	20	40

* The estimated revenue effects of changes in the basic rate of income tax and in the main personal allowances of 10 per cent are rounded to the nearest £25m: other effects over £50m are rounded to the nearest £5m: effects of less than £50m are rounded to the nearest £1m.
† Including the effect of the change on receipts of advance corporation tax and on consequent liability to mainstream corporation tax.
‡ For simplicity, percentage changes are calculated with reference to 1986-87 levels.
§ Assessment to corporation tax normally relates to the preceding year. These estimates are, therefore, the changes to revenue that would occur if the changed rates were applied to incomes from April 1 1986.
¶ These figures ignore any possible associated changes in the imputation system.

TABLE 21

Revenue effects of indirect tax changes

(£m at forecast 1986-87 price and income levels)

Indirect taxes	Current level duty on typical item	3½% Revalorisation* Price Change inc. VAT†	Yield/Cost in‡ 1987-88 £m	1988-89 £m	Changes from present levels of duty Price change inc. VAT†	Actual percentage change in duty	Yield/Cost in‡ 1987-88 £m	1988-89 £m
Beer (pint)	18.6	0.7	55	60	1	4.7	75	90
Wine (70 cl bottle of table wine)§	68.6	2.6	20	20	5	6.3	35	40
Spirits (bottle)	£4.73	17.7	25	30	10	1.8	15	15
Cigarettes (20 kingsize)¶	92.7	3.0	75	85	1	1.1	25	30
Petrol (gallon)	88.1	3.3	165	185	1	1.0	50	55
Derv (gallon)	74.5	2.8	40	45	1	1.2	15	15
VED (cars and light vans)	£100	£3.25	65	65	£1.00	1.0	20	20

* An "across the board" revalorisation by 3½ per cent (including the minor duties not shown above) would yield about £475m in 1987-88 and £525m in 1988-89, and the impact on the RPI would be to raise it by 0.3 per cent.
† VAT is payable in addition to the duty except in the case of VED.
‡ Assuming implementation on April 1 1987.
§ Revenue effects include all wines.
¶ The duty on cigarettes has ad valorem and specific elements; the percentage change relates only to the specific element, but the price change includes the subsequent increase in ad valorem duty and VAT.

TABLE 22

VAT

	Yield/Cost in 1987-88 £m	1988-89 £m
1 per cent change in rate of VAT*	800	1,130

* Assuming implementation on April 1 1987.

Continued from Page 9

GDP increase expected next year and inflation to stay low

markets. A further sizeable fall in North Sea investment is expected: without this, growth in total investment next year would be about half a percentage point higher.

Stock ratios have been falling since 1980, and surveys do not suggest that stocks have yet reached desired levels in relation to output or sales. Stock ratios are expected to fall further over the next year; but less steeply than in recent years as most of the adjustment to higher costs of stockholding may now have taken place. Higher stockbuilding next year than this is likely to make a positive contribution to growth.

The strength of consumer spending evident in European economies in recent months suggests that the benefits of the oil price cuts are starting to come through, so that UK exporters should face a more favourable world environment next year. At home stronger growth in investment should offset an expected slowdown in consumer spending, so that domestic demand in total is expected to grow next year at much the same rate as this year. The prospects overall are for balanced growth, at a rate very slightly above the average experienced over the last five years. (See table 4).

North Sea output will probably be slightly higher on average this year than in 1985, but is expected to fall in 1987 as envisaged in the 1986 Brown Book. Thus the increase in non-oil exports and growth of the non-oil economy are rather higher than the increase in total exports and GDP. The forecast for manufacturing exports implies a recovery in manufacturing output; the manufacturing sector is expected to grow faster than the rest of the economy next year. (See Table 5).

INFLATION

The retail prices index (RPI) rose by 3 per cent in the year to September, compared with a rise of 5¼ per cent in the year to the fourth quarter of 1985. Falls in mortgage interest rates earlier in the year have contributed to lower RPI inflation: retail prices excluding mortgage payments rose by 3½ per cent in the year to the third quarter of 1986.

Other price indices have also recorded substantial falls in inflation this year. The deflator of GDP at market prices is expected to rise by only 3 per cent in the present financial year, compared with a 6 per cent rise in financial year 1985-86; and in September producer output prices (for manufactures, excluding food, drink and tobacco) were less than 4 per cent higher than a year earlier, compared with an increase of 6 per cent in the year to the fourth quarter of 1985.

Between the spring of 1985 and August this year the prices of materials and fuels purchased by manufacturing industry fell almost continuously. The recent falls of sterling and a modest recovery in some non-food primary commodity prices mean that this decline in industry's input costs may have come to an end.

In spite of the fall in price inflation there has been no decline so far in published figures for the underlying rate of growth in average earnings. The underlying growth of real pre-tax earnings is likely to be above 4 per cent in 1986.

Even though employers' other labour costs (in particular their contributions to pension funds) have been growing more slowly than average earnings, unit labour costs in both the non-oil economy as a whole and manufacturing will probably have risen by around 5½ to 6 per cent in 1986, much faster than in most industrial countries.

With RPI inflation 3 percentage points lower than it was at the start of the last pay round, pay settlements are expected to be a little lower than last year: indeed, there have already been signs of a move towards lower settlements in the private sector in recent months. Despite an increase in overtime working, growth in average earnings is expected to fall somewhat in the present pay round. Productivity growth should pick up as compared with this year: actual unit labour costs for the non-oil private sector may rise by around 4 per cent next year, and manufacturing unit labour costs by rather less.

The increase in retail prices excluding mortgage interest costs over the next year is not likely to be very different from what it has been over the last year. However, the increase in mortgage rates in the second half of October will add just over ½ point to RPI inflation. Nationalised industry prices in aggregate continue to reflect lower energy costs, and food prices the general weakness of world prices. The pattern of price increases this year and that expected next year means that the annual rate of inflation may rise slightly in the middle of next year before resuming its downward path towards the end of the year.

The GDP deflator measures the price of domestic value added—principally unit labour costs and profits per unit of output—and excludes import prices. It is sensitive to movements in North Sea profits, which may fall by 50-60 per cent in the current financial year: this is part of the reason why the deflator for GDP at market prices may rise by only 3 per cent in the current financial year. In 1987-88 the assumption of a stable oil price, and hence little further change in North Sea profits, implies a slightly higher increase in the GDP deflator than this year at about 3¾ per cent, the same as was assumed in the MTFS.

Money GDP is forecast to grow by 5½ per cent in 1986-87, less than was expected at Budget time. Both inflation and, to a lesser extent, output growth have been revised down since the Budget. Money GDP is forecast to grow by 7 per cent in 1987-88, as output growth picks up and the growth of the GDP deflator reverts to its underlying path following the temporary effect of falling North Sea profits in 1986-87.

PRODUCTIVITY AND THE LABOUR MARKET

The results from the 1985 Labour Force Survey have led to an upward revision to the estimated growth in employment since 1983. Total employment in Great Britain is estimated to have grown by about 1,050,000 between March 1983 and June 1986. Almost half of this increase is accounted for by growth in self-employment. Estimates of the number of employees are subject to revision when the results of the 1984 Census of Employment become available.

Over the last year growth in employment has slowed down, reflecting the weakness of output during 1985. In the year to June 1986, the employed labour force grew by around 200,000 (see Table 8). Employment growth in the service industries remains very strong: the number of employees in the service industries increased by almost 250,000 in the year to June. However, the number of employees in manufacturing industries fell by 90,000 while almost 50,000 jobs were lost in the energy and water supply industries.

Productivity growth has fallen back during the last year, as is normal during a period of slower output growth. The average annual growth in manufacturing productivity over the period from 1979 is estimated to be 3 per cent, close to the rate in the sixties (see Table 9), and much faster than that achieved in the seventies. Growth in output per man hour in non-manufacturing has been rising at about 2 per cent per annum since 1979. However, the large rise in part time employment has brought down the growth in output per head in non-manufacturing to around 1½ per cent a year.

The increase in unemployment has slowed down over the past year, and seasonally adjusted adult unemployment was at the same level in September 1986 as it had been in March.

The impact of the employment measures announced in the Budget, including the Restart scheme to help the long term unemployed, and the pick up in the economic growth now underway, mean that the immediate prospects of reducing unemployment are more favourable. The slower growth in the labour force projected for the rest of the decade should improve the chance of a reduction in unemployment over the next few years. The extent of any reduction will, however, depend crucially on what happens to pay.

FINANCIAL CONDITIONS

Market short term interest rates, which fell by nearly 2 percentage points after the budget, have risen by about 1 percentage point since the end of August. Real short term rates remain high. Long term interest rates fell sharply in the spring, dropping below 9 per cent in April, but in the last two months the weakening in world bond markets and the rise in UK short term rates have caused them to move back above 10½ per cent. The forecast assumes that short term interest rates will be set to maintain monetary conditions that are consistent with the counter-inflationary aims of the MTFS.

The year-on-year growth in M0 moved slightly above the midpoint of its target range of 2-6 per cent over the last few months mainly reflecting earlier falls in nominal interest rates and strong growth in personal incomes and expenditure. Following the recent rise in interest rates M0 is expected to grow more slowly.

Throughout the current financial year growth in £M3 has been above the target range in the MTFS, with growth in excess of 18 per cent in the year to mid-September. In part this has reflected the increased attractiveness of interest-bearing bank deposits relative to other retail deposits. PSL2, which includes most of these other deposits, rose by 14 per cent during the year to mid-September. For the past six years, high rates of growth of broad money — largely the result of financial innovation and liberalisation — have been consistent with appropriately tight monetary conditions and thus a substantial fall in inflation.

FISCAL DEVELOPMENTS

Tables 10 to 13 show details of general government expenditure and receipts and of public sector borrowing for 1985-86 and 1986-87 together with changes from the FSBR estimates. The PSBR in 1985-86 was £5.8bn, just over £1bn lower than the estimate in the 1986 FSBR. Lower central government borrowing accounts for the major part of this downward revision. In the first six months of 1986-87 the PSBR was £6bn, in line with expectations at budget time. Taking into account the proposed change in oil taxation, the PSBR forecast for the year as a whole is unchanged at around £7bn.

Table 10 shows the relationship between the planning total and general government expenditure in national accounts terms. The estimated outturn for the cash planning total in 1986-87 is £1½bn more than expected at Budget time, implying a rise between 1985-86 and 1986-87 of 5 per cent. The projected increase in general government expenditure is smaller, at under 4 per cent. The difference between general government expenditure and the planning total is little changed from the FSBR forecast.

The estimates in Table 11 of taxes on income, expenditure, and capital depend on the estimated growth in money incomes as well as tax rates and allowances. The projected fall in North Sea revenues of just under £7bn to £4½bn in 1986-87 means that the forecast increase in general government receipts for 1986-87, at 3 per cent, is significantly below the 5½ per cent rise forecast for money GDP. North Sea revenues in 1986-87 are now expected to be £1½bn lower than forecast at Budget time. Part of this downward revision is the result of the change in the arrangements for the repayment of APRT announced today, which reduces revenue in 1986-87 by £0.3bn. Most of the rest of the shortfall is accounted for by a lower dollar oil price so far this year than assumed at budget time. Non-North Sea taxes and national insurance contributions are forecast to increase by over 9 per cent in 1986-87—3½ per cent more than the increase in money GDP. The forecast of non-oil receipts in 1986-87 has been revised upwards by nearly £2bn since the 1986 FSBR, largely as a result of buoyant VAT and corporation tax receipts.

Public expenditure plans *†

	Estimated outturn 1986-87	Increase over 1985-86 1986-87	Changes from Cmnd 9702 plans‡ 1986-87	Cmnd 9702‡ Plans 1987-88	Cmnd 9702‡ Plans 1988-89	New Plans 1987-88	New Plans 1988-89	New Plans 1989-90	Changes between Cmnd 9702‡ and New Plans 1987-88	1988-89
Departments (including local authority spending and nationalised industries' external finance)										
Ministry of Defence	18,600	630	70	18,820	18,990	18,790	18,980	19,470	−20	−10
FCO—Diplomatic Wing	670	60	30	660	690	700	730	750	40	40
FCO—ODA	1,320	70	0	1,350	1,390	1,360	1,400	1,440	10	10
European Community	1,090	260	440	1,150	950	870	440	1,060	−280	−510
IBAP and other CAP	1,520	−330	−20	1,630	1,660	1,660	1,780	1,880	40	120
Domestic Agriculture	920	10	80	830	840	880	900	900	50	60
Forestry	50	0	0	50	60	60	50	60	0	0
Department of Trade and Industry	1,370	−160	60	1,090	940	1,119	900	950	20	20
Export Credits Guarantee Department	250	−70	−50	220	130	160	110	50	−60	−20
Department of Energy	170	−510	50	−550	−280	−90	−50	−250	460	230
Department of Employment§	3,970	630	40	4,030	4,220	4,050	4,240	4,340	20	20
Department of Transport	4,920	350	130	4,840	4,810	5,140	5,080	5,140	300	270
DOE—Housing	2,850	−10	90	2,840	2,890	3,200	3,020	3,090	300	130
DOE—PSA	−90	10	0	−130	−130	−90	−90	−90	40	40
DOE—Other Environmental Services	4,070	160	420	3,560	3,580	3,850	3,890	3,930	290	310
Home Office	5,260	530	300	5,010	5,050	5,540	5,700	5,870	530	650
Lord Chancellor's Department	620	100	30	610	650	670	720	770	60	70
Department of Education and Science	15,950	1,470	1,630	14,400	14,470	16,600	17,350	17,840	2,200	2,870
Office of Arts and Libraries	800	80	70	740	760	810	830	860	60	80
DHSS—Health and PSS	17,960	1,320	230	18,460	19,140	19,100	19,840	20,720	630	700
DHSS—Social Security¶	44,500	3,000	1,600	44,300	45,800	46,000	47,400	49,300	1,700	1,700
Chancellor's Departments	2,070	250	60	2,050	2,070	2,230	2,320	2,420	180	250
Territorial and Other Departments	17,000	1,400	400	16,800	17,200	17,800	18,300	18,800	900	1,100
Privatisation Proceeds	−4,750	−2,050	0	−4,750	−4,750	−5,000	−5,000	−5,000	−250	−250
Reserve	—	—	−4,400	6,050	7,870	3,500	5,500	7,500	−2,580	−2,370
Adjustments‖	−700	−410	−30	−260	−270	−260	−270	−280	0	0
PLANNING TOTAL	140,400	6,800	1,300	143,900	148,700	148,600	154,200	161,500	4,700	5,500
Comparison of Cmnd 9702‡ and new plans by spending authority										
Nationalised Industries	510	−1,200	−20	10	−30	690	350	−60	680	380
Local Authority Expenditure Relevant for RSG	29,600	2,500	2,700	27,000	27,800	31,000	32,200	33,000	4,000	5,200
Other Departmental Spending**	115,000	7,400	3,000	115,600	118,600	118,500	121,100	126,000	2,900	2,600
General Government Expenditure	164,400	5,900	1,600	169,500	174,700	173,700	179,600	187,800	4,200	4,900

* Some figures may be subject to detailed technical amendment before publication of the 1987 public expenditure White Paper.
† Figures are rounded to the nearest £10 million, with the following exceptions: social security, territorial and other departments, spending authorities (except nationalised industries), the planning total and general government expenditure, which are rounded to the nearest £100 million. In the case of general government expenditure this does not imply accuracy to this degree. Differences have been calculated on unrounded figures and rounded in the same way as their equivalent total: figures may therefore not sum to totals or changes shown.
‡ Plans as set out in the last public expenditure White Paper (Cmnd 9702) adjusted for Budget measures and other minor changes of classification and allocation. Figures for general government expenditure are taken from the 1986 FSBR.
§ Compared with the last White Paper (Cmnd 9702) overall provision for the Department of Employment has been increased by £180 million in 1986-87, £240 million in 1987-88 and £240 million in 1988-89, mainly reflecting measures in the 1986 Budget.
¶ The number of unemployed (GB, excluding school leavers etc) is assumed to average 3.1 million in 1986-87 and 3.05 million in 1987-88, 1988-89 and 1989-90. The RPI is assumed to rise by 3.75 per cent in the year to September 1987 and by 3.5 per cent in the year to September 1988.
‖ Removal of double counting of agricultural spending in Scotland and Wales which is also included in the totals for Domestic Agriculture, and IBAP and other CAP expenditure in all years. The 1986-87 estimated outturn figure includes external finance of −£400 million for nationalised industries to be privatised that year, and an allowance for shortfall.
** Includes local authority capital and non-relevant current expenditure.

Forecasts greeted with doubt

BY JANET BUSH

THE CHANCELLOR'S Autumn Statement yesterday met with a mixed response.

Economists at City securities houses described Mr Nigel Lawson's announcement of large increases in public spending over the next two years as "blatant electioneering" and expressed deep scepticism about his forecasts for the current account of the balance of payments, inflation and growth and government borrowing.

The foreign exchange market reacted favourably, however, buying sterling in the belief that the Chancellor's targeting of extra public spending on politically sensitive areas such as health and education makes a Conservative victory at the next general election more likely.

The Bank of England's trade weighted sterling index ended at 69.5, up from the Wednesday close of 69.1. Government bond prices fell about ½ point.

There was general agreement that the increases in public spending severely reduced the Government's scope for tax cuts in the next Budget, but few believe these can be ruled out altogether, particularly in the likely event of the Government planning an early general election.

"It is a case of never mind the economics, feel the politics," said Mr Gevyn Davies, chief UK economist with Goldman Sachs.

Mr Bill Martin, chief UK economist at Phillips and Drew, said the Chancellor was letting loose with an incredible increase in planned public spending. Mr Lawson had not delivered sound economic forecasts but a statement which was designed to engage the interests of voters, he said.

There was widespread scepticism about the Chancellor's forecasts on next year's economic performance. A consensus on inflation has emerged in recent weeks, pointing to inflation of more than 5 per cent by the end of 1987, compared with Mr Lawson's forecast of only 3.75 per cent by the fourth quarter.

The forecast of 3 per cent growth next year was also considered to be over-optimistic, as was the Chancellor's estimate of a current account deficit of only £1.5bn.

Mr Norman Willis, General Secretary of the TUC, said: "The Chancellor of the Exchequer's medium-term financial strategy may be intact but the economy is in tatters—our manufacturing base declining and unemployment rising ever higher.

"The TUC has been campaigning for improved public services and extra spending on the nation's infrastructure but no-one should be taken in by the Chancellor's blatant pre-election bribe."

The Confederation of British Industry and the British Chambers of Commerce welcomed the Chancellor's statement, though.

They welcomed the Chancellor's undertaking to spend more on the infrastructure and on key areas such as education and housing.

However, the British Chambers of Commerce expressed disappointment that the burden on industry of high interest rates had not been mentioned.

NI standard rates to stay unchanged

MR NORMAN FOWLER, the Secretary of State for Social Services, yesterday commented on planned expenditure on social security benefits announced in the Chancellor's statement. He also announced, in answer to a parliamentary question, changes to national insurance contributions which will take effect from April 6 1987. Mr Fowler said:

"Total expenditure on social security in 1987/88 is expected to be about £46bn—some £1,700m higher than the estimate in the public expenditure white paper at the beginning of this year.

"As I announced in my uprating statement, pledged and unpledged benefits will be increased to maintain their value. Pensions have increased in real terms since 1979 and we are now paying them to more pensioners than ever before.

"Benefits for disabled people are also at record levels and go to many more disabled people. For example, 280,000 more people will receive attendance allowance and 300,000 more people will now receive mobility allowance.

"We have also directed help to families in need with real increases in the value of family income supplement and supplementary benefit help for children and one-parent benefit.

"There will be no increase in national insurance standard contribution rates next year for either employers or employees. This is the fourth successive year that we have held the rates at the same level. Since October 1985 there have been substantial reductions in contribution rates for lower paid people and their employers and next April we will extend these reduced rates further up the earnings scale."

REVIEW OF NATIONAL INSURANCE CONTRIBUTIONS

Mr Fowler announced changes to national insurance contributions in answer to a Parliamentary question from Mr Timothy Wood.

His reply was: "I have completed the annual review under section 120 of the Social Security Act 1975. The proposals will take effect from April 6, 1987.

EMPLOYERS AND EMPLOYEES

"As my Right Hon. Friend the Chancellor of the Exchequer said in his statement earlier today, I do not propose to raise the standard rate of contributions for either employees or employers, which remain at 9 per cent and 10.45 per cent respectively. This is the fourth successive year that these have remained unchanged.

"In line with the requirements of the Social Security Pensions Act 1975, the Lower Earnings Limit for Class 1 contributions is to be raised to £39 per week, which is just below the basic retirement pension rate for a single person, which I announced to the House on October 22. The Upper Earnings Limit is to be raised to £295 per week, which is a little under 7½ times the new basic pension rate. The new earnings limits replace the current ones of £38 and £285 respectively.

"The reduced contribution rates for the lower paid will continue unchanged. The reduced rates of 5 per cent and 7 per cent for employees, and 5 per cent, 7 per cent and 9 per cent for employers will extend further up the earnings scale and will apply to weekly earnings which fall below the ceilings of £65, £100, and for employers only, £150 (the previous ceilings were £60, £95 and £140 respectively).

NOT CONTRACTED-OUT EMPLOYEES AND THEIR EMPLOYERS

"Neither the employee nor his employer will have to pay any contributions if his earnings are less than £39 per week. For people earning between £39 and £285 (the former upper earnings limit) there will be no increase for either the employee or the employer.

"In fact, owing to the increase in the earnings ceilings for the reduced contribution rates, some lower paid employees will pay a slightly smaller contribution, as will their employers. For those employees with earnings above £285 per week, the maximum possible increase will be 90p per week. There will be no corresponding increase for employers since there is no Upper Earnings Limit for their contributions.

CONTRACTED-OUT EMPLOYEES AND THEIR EMPLOYERS

"Contributions payable by some contracted-out employees and their employers will rise slightly. (The maximum combined increase is 6p a week). Where earnings are less than the former Upper Earnings Limit of £285 per week, the increase will be very small reflecting the fact that the increase in the Lower Earnings Limit increases the band of earnings on which the non-contracted-out contribution rates are paid. Some lower paid contracted-out employees, and their employers, will in fact have their contributions reduced as a result of the higher earnings ceilings for the reduced contribution rates.

"Employees with earnings between the old and new Upper Earnings Limits, £285 and £295 respectively, will pay a maximum of 71p a week extra. The increase in the Upper Earnings Limit will extend the contracting out rebate to contributions in respect of earnings between £285 and £295, with corresponding savings for employers.

SELF EMPLOYED PEOPLE

"The flat rate Class 2 contribution will be raised by 10p to £3.85 per week. The rate of Class 4 contributions will not be increased. The annual limits of profits between which Class 4 contributions are paid will be raised from £4,450 and £14,820 to £4,590 and £15,340 respectively. The effect of these changes is that, for self-employed people who only pay Class 2 contributions, contributions in 1987-88 will be £5.20 per year higher than in the current financial year.

"For those self employed people with profits between £4,590 and £14,820 (the former upper profits limit) Class 4 contributions will be reduced by £3.82 per year in 1987-88 — assuming an unaltered level of profits. For those self-employed people with profits at or above the proposed upper profits limit of £15,340, Class 4 contributions will be £23.94 per year higher in 1987-88.

CLASS 3 (VOLUNTARY) CONTRIBUTIONS

"The rate of Class 3 contributions is to be raised from £3.65 to £3.75 per week.

TREASURY SUPPLEMENT

"The Treasury Supplement to the National Insurance Fund will be reduced from 9 per cent to 7 per cent with effect from April 1987.

EMPLOYMENT PROTECTION ALLOCATION

"The Employment Protection Allocation, currently 0.25 per cent for employees and 0.20 per cent for employers, will be reduced to 0.07 per cent and 0.06 per cent respectively from April 1987.

NATIONAL HEALTH SERVICE ALLOCATION

The allocation to the National Health Service, currently 0.75 per cent for employees and 0.6 per cent for employers, will be increased to 0.85 per cent and 0.7 per cent respectively from April 1987.

Effect of proposed changes on individual liability (Employed Earners)

WEEKLY EARNINGS	EMPLOYEE Amount £	EMPLOYEE Change £	EMPLOYER Amount £	EMPLOYER Change £	TOTAL Amount £	TOTAL Change £
Not Contracted-out						
38.00	Nil	−1.90	Nil	−1.90	Nil	−3.80
39.00	1.95	Nil	1.95	Nil	3.90	Nil
59.00	2.95	Nil	2.95	Nil	5.90	Nil
64.00	3.20	−1.28	3.20	−1.28	6.40	−2.56
94.00	6.58	Nil	6.58	Nil	13.16	Nil
99.00	6.93	−1.98	6.93	−1.98	13.86	−3.96
139.00	12.51	Nil	12.51	Nil	25.02	Nil
149.00	13.41	Nil	13.41	−2.16	26.82	−2.16
150.00	13.50	Nil	15.67	Nil	29.17	Nil
200.00	18.00	Nil	20.90	Nil	38.90	Nil
285.00	25.65	Nil	29.78	Nil	55.43	Nil
295.00	26.55	+0.90	30.83	Nil	57.38	+0.90
Contracted-out						
38.00	Nil	−1.90	Nil	−1.90	Nil	−3.80
39.00	1.95	+0.02	1.95	+0.04	3.90	+0.06
59.00	2.52	+0.02	2.13	+0.04	4.65	+0.06
64.00	2.66	−1.26	2.17	−1.24	4.83	−2.50
94.00	5.40	+0.02	4.32	+0.04	9.72	+0.06
99.00	5.64	−1.96	4.47	−1.94	10.11	−3.90
139.00	10.36	+0.02	8.41	+0.04	18.77	+0.06
149.00	11.04	+0.02	8.90	−2.12	19.94	−2.10
150.00	11.11	+0.02	11.12	+0.04	22.23	+0.06
200.00	14.54	+0.02	14.30	+0.04	28.84	+0.06
285.00	20.36	+0.02	19.70	+0.04	40.06	+0.06
295.00	21.05	+0.71	20.33	−0.37	41.38	+0.34

Proposed rates of Class 1 contributions for 1987-88

Total weekly earnings	Primary contribution (employee) Standard rate: Not contracted out rate %	Primary: Contracted out rate* %	Primary: Reduced rate for married women and widow optants %	Secondary contribution (employer): Not contracted out rate %	Secondary: Contracted out rate* %
£39.00-£64.99	5.00	2.85	3.85	5.00	0.90
£65.00-£99.99	7.00	4.85	3.85	7.00	2.90
£100.00-£149.00	9.00	6.85	3.85	9.00	4.90
£150.00-£295.00	9.00	6.85	3.85	10.45	6.35
Over £295.00	(no additional contributions payable)			10.45	10.45

* Note: the contracted-out rate applies only to that portion of earnings between the Lower and Upper Earnings Limits (£39.00 and £295.00 respectively). Contributions on other portions of earnings, below the Lower Limit and (employers only) above the Upper Limit, are assessed at the not contracted-out rate.

Effect of proposed changes on individual liability self employed

(Liability for both Class 2 and Class 4 Contributions)

Annual Profits or Gains	Yearly Contribution	Change
£2,075-£2,124.99	Nil	−195
£2,125-£4,450	200.20	+ 5.20
£4,590	200.20	− 3.62
£9,960	538.51	− 3.82
£14,820	844.69	− 3.62
£15,340 or more	877.45	+ 29.14

Statutory sick pay rates to rise

JOHN MAJOR, Minister of State for Social Security, yesterday announced new rates and changes to the rate levels for Statutory Sick Pay to take effect from April 1987. Mr Major was answering a written Parliamentary question from Mr Michael Stern.

The full text of Mr Major's answer follows:

"Regulations will shortly be laid before Parliament proposing new rates of Statutory Sick Pay with effect from April 6 1987. The standard rate will rise from £46.75 to £47.20 per week, and will be payable where an employee's average weekly earnings are £76.50 or more. The lower rate will rise from £31.60 to £32.85 and will be payable where average weekly earnings are between £39 (the lower earnings limit for the payment of national insurance contributions) and £76.49. These represent increase in the rates of 1 per cent and 4 per cent respectively.

"At present 85 per cent of spells of SSP attract the standard rate with the remaining 15 per cent being split between the middle and lower rates. Having two rates of SSP applicable to only 15 per cent of spells of sickness over-complicates the administration of SSP for employers and does not provide a sensible structure. We propose, therefore, to merge the present middle rate of SSP with the lower rate with effect from April 6 1987."

NHS spending in England to rise 2.5%

MR NORMAN FOWLER, Secretary of State for Social Services, has given details of the plans for the NHS announced in the Chancellor's Autumn Statement. Mr Fowler said: "The NHS will continue to grow over the next three years. Total spending in Great Britain, will rise from £18¾bn this year to nearly £20bn in 1987-88 and will reach over £21½bn by 1989-90. In England, the Government will increase its spending by almost £1bn next year, an increase of 2.5 per cent in real terms. Over the following two years Government spending will increase by a further £1¾bn. These are substantial increases on our published plans and show the importance the government attach to the health service. Total spending in England, including income from charges, is planned to increase from over £15¼bn this year to over £16½bn in 1987-88 and to reach over £18bn by 1989-90.

"For the coming year Hospital and Community Health Services in England will have a total of £10,963m, compared with their allocation this year of £10,287m, to which was added £50m towards the cost of maintaining services following the Review Body awards for doctors and nurses. This represents an increase of £626m over the total funds this year — 6 per cent more in cash and 2.2 per cent more in real terms. The plans provide for real terms increases of about 1 per cent in each of the succeeding years.

In addition to their extra funding health authorities will retain the benefit of cash released through their cost improvement programmes. In the current year these are planned to achieve £150 million, on top of the cumulative savings of approaching £400m which have been achieved since 1981-82. Further growth in efficiency means more patients successfully treated. Health authorities are also expected to receive income of about £90 million from charges, mainly from private patient treatment.

"From within the total available for allocations, I plan to establish separate funds to tackle two key areas.

First waiting lists and waiting times. All health authorities were asked to let me have by the end of October their plans for action. These have all been received and work is going ahead on assessing the results. I commend the NHS on the promptness of their response and the evident seriousness with which they have taken the exercise. I plan now to establish a fund totalling £50m over two years. Health authorities will bid for money for specific initiatives to reduce waiting times. The money will go to health authorities who have demonstrated that they are managing existing resources effectively, and that some specific addition will enable them to make faster progress. The money will be carefully targeted, and could be spent for example on extra staff, supplies or equipment.

"Second resource allocation. We are currently examining the existing resource allocation formula. Without prejudging in any way the outcome of that examination, I recognise that present policies are causing transitional problems in some districts. I am therefore taking immediate steps to ensure that Regions which get less than national average growth—principally the four Thames Regions—can continue to make progress with improving services for priority groups and for patients who live outside the main cities in those Regions without damaging inner city services. I have therefore decided to set up a special fund totalling £30m over the next two years. I shall expect the authorities concerned to use the money specifically in ways which enable desirable changes to go ahead, in particular to bridge transitional costs and undertake schemes which unlock resources for the future.

"From within their total additional resources health authorities will be expected to meet pay and price increase, and to continue to develop services in accordance with national policies and priorities. The numbers of patients treated have risen steadily each year, and I am looking to health authorities to maintain their excellent level of performance. I have set new specific targets for increases in the numbers of key operations—hip replacements, cataracts, heart surgery and bone marrow transplants, while health authorities have now achieved targets for improved services for end-stage renal failure.

"Health authorities are in the middle of the greatest sustained expansion of their capital programme that has ever been possible. Over the next three years more than 100 major health building schemes are due to be completed. This is part of a total programme of some 380 schemes with a total value of £3bn. Hospital and Community Health Service capital spending in Great Britain is expected to total around £1bn in the current year, and is expected to reach about £1,200m by 1989-90. For England capital spending is expected to be over £900m next year and to be around £1bn by 1989-90. Health authorities will retain in full the receipts from sales of surplus land and buildings, forecast at £130m in the current year. Capital allocations from the Exchequer will rise from £786m in 1987-88 to £842m in 1989-90.

FAMILY PRACTITIONER SERVICES

"Primary health care will also expand. The number of doctors in general practice continues to rise. Our plans allow for forecast demand to be met in full. The Family Practitioner Services are expected to cost £3.7bn in 1987-88—£300m more than the current year. Over the following two years total spending is planned to increase to a total of £4.2bn.

COMMITMENT

"These figures demonstrate this Government's continued commitment to the NHS. The extra cash we are providing will mean that more patients than ever before will be *treated*, and we *shall be tackling* the key problems—waiting lists and times, and the transitional problems of resource distribution. There will be more new hospital building. I shall be looking to health authorities to continue with the modernisation and expansion of our health services.

Funding for education to increase 18.8%

MR KENNETH BAKER, the Education Secretary, yesterday announced that expenditure on education and science in 1987-1988 would total £16,599m, £2,280m more than the planned expenditure for 1986-87 published in the 1986 Public Expenditure White Paper.

Mr Baker told the House of Commons that:

- Planned local authority current expenditure would total £12,850m in 1987-88, 18.8 per cent more in cash terms than planned for 1986-87;
- There would be an extra £95m for university recurrent and equipment grant in 1987-1988 than in 1986-87;
- There would be an extra £39m for the science budget in 1987-88 over 1986-87.

LOCAL AUTHORITY CURRENT EXPENDITURE

Mr Baker said: "The total for local authority current expenditure on education in 1987-88 in the government's plans is £12,850m, 18.8 per cent more in cash than the plans for 1986-87. These figures include £460m for England which the Government is ready to add to planned expenditure in 1987-88 in return for a salary structure and a definition of duties for schoolteachers which meet the requirements set out in my statement of October 30.

This total represents what local education authorities are expected to spend if they maintain their present policies and keep increases in their costs, other than schoolteacher pay, to the level of cost increases in the economy as a whole.

"There remain many opportunities to raise the efficiency of the service. The Government believes that, if these were seized, LEAs could make good progress with national and local policies for improving the quality of education at a lower level of expenditure.

"The total used for determining the education component of the grant related expenditure (GRE) has therefore been set at £500m lower than the total for expenditure provision. The margin between the two totals is allocated to education in the Government's plans, but is not carried through to the control totals for the GRE.

"With the inclusion of the planned additions for teacher pay, the Government is planning for an increase of 1.5 per cent in real terms in local authority spending on education in 1988-89, and broadly level funding in 1989-90. Within the totals planned for local authority expenditure as a whole in each year, the Government will in 1987 review the distribution of expenditure between services (including education) in the light of local authorities' budgets for 1987-88, the Government's priorities and other factors.

"The Education Support Grants programme enters its third year in 1987-88. In that year there will be a programme of 20 activities of national priority at a cost of £92m, to be supported by grant of £64m. This year as last all LEAs have accepted the invitation to bid and I hope to announce allocations for individual LEAs in December.

VOTE EXPENDITURE

"Vote expenditure in 1987-88 is planned to be £3,749m, £245m higher than the plans for 1986-1987. Within this total, recurrent grant to the universities will increase by £95m and the Science Budget by £39m between 1986-87 and 1987-88. The Government's plans also include increases in provision for local authority and voluntary school capital expenditure, for the Assisted Places Scheme as it builds up to its planned size, and for the funding of the initial costs of City Technology Colleges.

"The Government's willingness to provide additional funding for universities will depend on evidence of real progress in the *development* of the policy of selectivity, the rationalisation of small departments, better finance management and improved standards of teaching. I have now been able to agree with the University Grants Committee and the Committee of Vice-Chancellors and Principals a major programme of work in these areas.

"In the light of that agreement the Government has decided to provide an additional £61m for recurrent and equipment grant for the universities in the financial year 1987-88, compared with previously planned expenditure, and a corresponding addition of £71m in 1988-89. Between the financial years 1986-87 and 1987-88 recurrent grant will increase in cash by £95m or 7.2 per cent.

"The Science Budget, from which the Research Councils receive their grants in aid, will be £654m in 1987-88, an increase of £39m over provision in 1986-87. The figure is £24m higher than the plans for 1987-88. The Science Budget in 1988-89 will be £664m, an increase over previous plans of £20m, and in 1989-90 £680m."

EDUCATION

A lot on top of the pay deal

THE BIGGEST increase in any departmental spending programme is that in education. The increase allowed for in local authority expenditure in the sector is said by the Government to be worth 18.8 per cent more in cash terms than in 1986-87.

Mr Kenneth Baker, Education Secretary, told journalists: "I have won a big victory."

A large slice of the increase of more than £2bn is to finance the Government's pay offer for teachers, announced last week and worth a cumulative 16.4 per cent extra on salaries over two years. However, there is more besides.

On top of the funding for salaries, the Government is providing for an improvement in the pupil/teacher ratio, an intensified programme of repairs and maintenance on school buildings, more money for purchase of books and equipment and additional teacher training.

The rub is that education authorities are meanwhile being required to "make good progress with national and local policies for improving the quality of education at a lower level of expenditure" to the tune of £500m.

Overall, expenditure on education and science is projected to rise to £16.6bn, an increase of 15.9 per cent on the 1986-87 total of £14.32bn. The proportionately higher rise in local authority spending alone, from £10.8bn to £12.8bn, is attributable to the allocations for teachers' pay and other school budgets.

The extent of the injection of funds can be gauged by the fact that the £2bn increase in local authority spending is far greater than the estimate of the 1987-88 cost of the teachers' offer — £460m in England, according to Mr Baker, yesterday.

The offer — in effect assimilation in two stages of a new salary structure for teachers, tied to a tighter employment contract — is due to be negotiated on by local authority employers and teaching unions *in talks beginning tomorrow* in Nottingham. Mr Baker has said he will legislate to impose the terms if there is no agreement on them.

The previous offer, by Sir Keith Joseph, Mr Baker's predecessor, would have cost a cumulative £1.25bn over four years: last week's offer has been costed at an estimated £2.4bn.

Included in yesterday's expenditure provisions is said to be an extra £100m for the General Certificate of Secondary Education—the new 16-plus *examination — following* criticism of the level of funds available for it. Part of a £200m in-service training allocation will be specifically for GCSE teachers, with £10m being available for GCSE books and equipment under a £92m education support grant programme.

The programme, in its third year in 1987-88, also includes £39m for midday supervision of pupils—a duty taken from teachers' shoulders as a result of the two-year pay disputes.

On the debit side for education authorities, they will be expected to cut the net costs of school meal services, caretaking and cleaning through competitive tendering and other efficiency exercises. Administration costs should also be *reduced*.

The National Union of Teachers welcomed the additional funding, but said it was not enough to tackle the "crisis" in schools. Mr Giles Radice, the Labour Party's education spokesman, said that as education spending was already running at £1.5bn ahead of Government plans, the actual increase for local authorities was only £500m.

David Brindle

UNIVERSITIES AND COLLEGES

Water after drought

"WATER after years of drought" was the university chiefs' official phrase for the extra money the Government's new plans set aside for universities. Unofficially, however, the Committee of Vice-Chancellors and Principals added that the "water" will be flowing less freely than the Government's statement makes it seem.

The statement talks of an increase in 1987-88 of £95m over the sum provided by taxpayers for universities' running and equipment costs in 1986-87. But the period the statement refers to as "1987-88" is the financial year starting next April, which is six months before the start of the 1987-88 academic year that vice-chancellors and principals are mainly concerned with.

Because of the overlap, universities already know of and have included in their expected income for the current academic year about £35m of the statement's £95m. Of the rest, about £8m is evidently earmarked solely for equipment costs.

So the newly announced money for everyday running expenses is about £54m up to spring 1988. Beyond that, the universities can look forward to an additional £71m over previously planned expenditure, including some £7m specifically for equipment, over the following 12 months to April 1989.

The £54m nevertheless represents about a 4 per cent rise on the sum the vice-chancellors and principals were reckoning on for 1987-88. Moreover the increases both for that period and for *1988-89 are greater* than the extra sums respectively of £30m and £60m which the Government had in mind earlier this year when Sir Keith Joseph was still Secretary for Education and Science.

In cash terms, the degree-level activities of polytechnics and other non-university colleges do not appear to have done so well. The money the statement sets aside for them in the 1987-88 financial year is £701.5m—a rise over previously planned expenditure for the corresponding 1986-87 period of £55.5m, including £15m specifically for the training of school teachers in mathematics, physics and technology.

Michael Dixon

DEFENCE

Breathing-space for Younger

MR GEORGE YOUNGER, the Defence Secretary, appears to have succeeded in taking the pressure off the defence budget for the last financial year of the decade.

Defence expenditure plans suffered cuts of about 7 per cent in real terms between 1985-86 and 1988-89. That was announced in the Public Expenditure White Paper last January, just a week after Mr Michael Heseltine resigned as Defence Secretary over the Westland affair.

As a result, the total new expenditure plans for the Ministry of Defence for 1989-90 show only a marginal cut, of one quarter of one per cent in real terms compared with the previous financial year. This stablisation was welcomed by the MoD.

The almost neglibible cut of ¼ per cent in real terms in 1989-90 means a £490m *increase* in cash terms over 1988-89, to total new planned expenditure of £19,470m.

The ¼ per cent cut is exclusive of a fall in expenditure on the UK Falkland Islands garrison. Spending on the defence of the islands is falling as the airfield at Port Stanley has been completed.

With the Falkland Islands expenditure included, the reduction in the total new defence expenditure plans for 1989-90 rises to ½ per cent.

The Ministry has agreed with the Treasury that, from 1989-90, expenditure in defence of the Falkland Islands will form an integral part of the Ministry's total expenditure, although details of the actual spending on the Falklands will still be available to Parliament.

The forecast stabilising of new expenditure plans will not change the need for hard decisions on individual spending programmes. In particular, officials are concerned about the impact on the defence budget of the impending decision on the choice of aircraft for Britain's new airborne early warning system.

The final bids by GEC and by Boeing were submitted to the MoD yesterday and the Cabinet is expected to make its final choice between the GEC/British Aerospace Nimrod aircraft and the *Boeing E-3* airborne warning and control system before Christmas.

A decision to opt for the £1bn-plus Boeing solution, after £930m has already been spent on the Nimrod, could put a fresh strain on the budget.

Lynton McLain

THE POLICE

Relief for crowded prisons

THE £1.2m boost in provision for the police was largely due to the increased demands posed by terrorism, drugs, crime and the need for public order.

The money, to be provided over the next three years, will result, in 1987-1988, in 300 additional Metropolitan Police officers and 500 provincial police officers and in additional civilian recruitment.

Total police strength is planned to rise to 124,363 by March 1988, compared with an 1986-87 average of 121,660. Civilian strength should reach 46,434, compared with 45,902.

The provision in 1988-89 and 1989-90 will be reviewed in the light of local authority budgets and recruitment plans in 1987-1988.

An additional 1,200 prison places are to be provided to reduce prison overcrowding. The prison building programme will be increased by £25m in *1987-88* and *1988-89*, and *£44m* in 1989-90.

Home Office spending for 1987-88 will increase by £530m; by £650m for 1988-89; and by £820m in 1989-90. This will bring Home Office spending up to £5.5bn in 1987-88.

The National Council for Civil Liberties said yesterday the increased prison places would "lead only to them being filled up by the courts and not to an improvement in inhumane and degrading prison conditions."

Ms Marie Staunton, the council's legal officer, said: "Extra money should be spent on improving conditions in which three grown men are held in a room the size of a child's bedroom for 23 hours a day without sanitation."

On the boost to police numbers, Ms Staunton said: "While we want the police to be brought up to strength, we feel more money should be spent on liaison with the community, educating the public on how to avoid crime and on compensation for individual victims."

Fiona Thompson

TRANSPORT

More for southern roads

SPENDING DECISIONS for the Transport Department will intensify the Government's pursuit of cost effective capital investment at the expense of operating subsidies. Increases in capital spending will be marginally more than forecast in the public spending White Paper earlier this year.

Total expenditure is forecast to rise from £4,920m this year to £5,140m next year, falling to £5,080m in 1988-89 before rising marginally again in 1989-90 to £5,140m.

The global figures conceal an increase in central government spending on the national road network from £894m this year to £942m next year, to £988m in 1988-89, and to £1.01bn in 1989-1990. These forecast totals represent increases of £5m next year, and £15m in 1988-89 over the White Paper forecast.

These increases will be more than swallowed up by the need to widen a six-mile stretch of the M25 London Orbital motorway because of traffic congestion. This will cost £18m, and Channel Tunnel-related improvements to the M20 in Kent will cost £57m.

The Chancellor has also increased provision for capital spending on roads by local authorities from £510m this year to £630m in 1987-88—£60m above the White Paper forecast. This will allow a start on 340 major road schemes, of which 36 will be by-passes. Most of this work was already planned, and the main effect of the provision will be to bring forward two or three projects.

The Chancellor has also increased the allocation *for* road maintenance work by local authorities from £1,090m to £1,260m to finance repairs to roads and bridges damaged by two successive bad winters.

British Rail and London Regional Transport will escape relatively unscathed next year, but the Autumn Statement's detailed figures foreshadow a tightening of purse strings in future years.

The external financing limit for BR is cut from £770m this year to £751m in 1987-88, compared with a White Paper forecast of £785m. The White Paper included capital grants for rolling stock of £55m, however, which has been transferred to the Chancellor's allocation for regional passenger transport executives.

The external financing limit for LRT falls from £300m this year to £278m next year.

Kevin Brown

Straight shooting on overshooting

IF PUBLIC expenditure is overshooting, the financial markets would no doubt prefer to be given the message straight.

Even so, the admirably frank message to that effect in the Chancellor's autumn statement, which will be followed by the normal printed statement next Wednesday, involved a fair measure of *risk-taking* with fiscal conservatives in the City.

The Government is *talking* about an increase in public expenditure planning *totals* over previous forecasts of £4.75bn *and £5.5bn respectively for* 1987-88 and 1988-89, together *with a further £7.75bn rise* in 1989-90.

That points to average growth in spending in real terms of 1½ per cent — a welcome admission, when compared with previous autumn statements which traditionally make sheepish admissions of past over-spending and optimistic forecasts that future public spending will be held constant in real terms. Yet on past form, the Government may have difficulty meeting even this more realistic target.

Unlike last year, the figures are no heavily disored by a proposed increase in be proceeds of privatisation, which count s negative public expenditure. Mr Lawson is proposing to increase the total by *£250m* to £5bn in each of the next three years.

The new planning totals do, however, contain a *substantial* contingency reserve, rising *from £3.5bn* in 1987-88 to £7.5bn in 1989-90. *Next year's* figure will, no doubt, be regarded *as on the tight side* by some analysts, when compared *with the original £6.3bn* in last year's statement.

The purpose *of aiming high* at that time was partly to *allow for uncertainties in*herent in local authority spending, which is outside government control and was given an admittedly unrealistically low figure in the planning total.

In fact, the largest increase in the public expenditure total is for the local authorities, where current spending next year is expected to exceed the previous published figures by £4bn, reflecting an attempt at realism and teachers' pay proposals.

Other areas where the Government is proposing substantial increases in spending include the police, health and personal social services, housing and infrastructure.

Anything more than a provisional verdict is premature before the full details that will emerge next week. But the Chancellor will no doubt be accused of seeking to have his cake and eat it.

Mr Lawson has gone *a* long way to spike the guns of those *who argue the case for increased spending* on infrastructure to *generate* jobs, yet the overshoot in public spending implies there *is no room for tax cuts in next* year's budget within a £7bn public sector borowing require*ment*.

This wil fuel fears in the *markets* that the *public sector* borrowing requirement may have to rise to accommodate pre-election cuts in income tax. Inspite of the more realistic approach to public expenditure forecasting in the statement, the Chancellor will be seen as *taking* risks on the side of inflation, especially after the teachers' pay package, which is expected to put upwerd pressure on public sector pay and the recent dramatic increase in private-sector credit.

All this helps to explain why *Mr Lawson's advisers* have recently been urging the case *for lower public sector borrow*ing rather than tax cuts. The collapse *in oil prices may* have contributed to growth in real *earnings* through its *effect* on prices and, together with the *income tax cut in the last* budget and the fall in the savings *ratio*, to an *estimated* 5 per cent increase in consumer *expenditure* in 1986 much of that demand has been fed by imports.

The current account of the balance of payments *is* expected to move into deficit to the tune of £1.5bn in 1987, lower than some otuside forecasts. The *London Business School*, which is reckoned to share many of the *Treasury's assumptions*, expects a £2bn deficit.

While service industry output has been expanding quite *rapidly, manufacturing output* is *reckoned* to have fallen by about 1 per cent over the year *to the second quarter of 1986.*

At the sametime, North Sea *investment* is likaly to *fall* this year, while non-oil business *investment* will see a moch lower increase of 3 per cent, against *6 per cent last year*. Against that background, the case for reducing government borrowing and thus high real interest rates is clearly arguable.

The Chancellor, however, is banking on the recent sterling devaluation making British industry much more competitive. Non-oil exports are forecast to rise next year by 5½ *per cent against only 1 per cent* this year, with manufacturing *output* up by 4 per cent. For the economy as *a* whole, the *official expectation is for growth* of 3 per cent next year.

This also reflects a more favourable environment for the world economy and thus for trade next year, when the benefits of lower oil prices are expected to make an expansionary, if belated, showing. The Treasury foresees stronger growth in investment at home offsetting an expected slowdown in consumer spending.

While money GDP is expected to grow by less than expected at the last *budget*, at 5¼ per cent in 1986-87 reflecting downward *revisions* in inflation and output growth, the fore*cast for 1987-88 is for 7 per cent, for equal and opposite* reasons.

That leeves familiar questions about bow far the benefit of *increased competitiveness* will be dissipated in increased wage settlements. The statement's forecast of increases in retail prices of 3¼ per cent and 3¾ per cent in 1986 and 1987 respectively will be widely regarded as erring on the side of optimism.

As the Treasury points out, in spite of a falling rate of price inflation, there bas been no decline so far in published figures for the underlying rate of growth in everage earnings, which is expected to be above 4 per cent before tax in 1986.

At the same time, unit labour costs in both the non-oil economy as a whole and in the manufacturing sector are estimated to bave risen by between 5½ per cent to 6 per cent in 1986, which is still considerably faster than in most other leading developed countries.

Those who place bets on the dates of the forthcoming general election may thus be tempted to go for early rather than late—though economics are not *the sole criterion*.

Overall, it amounts to the *kind of mixture* of realism and opportunitism thet might be expected *from any chancellor* in the run-up to an election. The *small print of political cal*culation will become clearer next week.

John Plender

HEALTH

A war on the waiting lists

EXPENDITURE ON hospital care in England is set to rise by between £10.34bn and £10.96bn in 1987-88, a real increase of 2.2 per cent, according to Mr Norman Fowler, Social Services Secretary. The spending plans *include a £50m fund to be* spent over two years on measures to reduce *hospital* waiting lists.

The figures were immediately attacked by opponents as being too little too late.

Mr Michael Meacher, Labour's chief spokesman on health and social security, said that the spending increase took no account of the fact that health costs were rising much faster than other costs in the general economy.

"If the cost of pay increases which have to be met out of the health budget are taken into account, together with the rising cost of treating the increased numbers of elderly and the increased cost of modern medical technology the figures at best show a standstill in health spending and orobably a decrease," said Mr Meacher.

Mr Fowler claimed, however, that the £626m increase in hospital care next year represented a "very good deal for health authorities." He said that total spending in Great Britain would rise from £18.75bn to nearly £20bn in 1987-88. In England, total *spending would rise* by almost £1bn, an increase of 2.5 per cent *in real terms*.

The Government has tried to attack two areas where its health policy has been subject of particular *criticism:* hospital waiting lists and the problems created by the decision to reallocate resources to poorer regions like northern England at the expense of areas like London and the south-east.

It intends to establish a special £30m fund over the next two years to cover specific problems in areas such as the four Thames regions which "get less than national average growth."

The money might be used to maintain services and ease tran transition period when new hospitals are being opened and older ones closed, said Mr Fowler.

The £30m fund, like the £50m planned to be spent on reducing hospital waiting lists, would not be additional money but would be found from the increased allocation for *hospitals and community* services, he said.

Plans to reduce waiting lists have now been presented by all 191 district health authorities. These will now be examined before deciding how best to allocate the new fund.

Experiences vary widely between districts and the money is likely to be targeted toward the worst areas with 20 districts accounting for a quarter of the total waiting list, according to Mr Fowler.

"Health authorities will bid for money for specific initiatives to reduce waiting times. The money will go to health authorities who have demonstrated that they are managing existing resources effectively and that some addition will enable them to make faster progress. The money will be carefully targeted and could be spent for example on extra staff supplies or equipment," he said.

The number of people waiting for admission to hospital is still thought to be around 680,000 compared with 730,000 in 1979 and 800,000 in 1982.

No specific funds have so far been set aside to support the government's campaign to prevent the spread of Aids.

In addition to the spending allocation, health authorities will be able to make use of cash released through greater efficiency and cost improvement programmes likely to *total £150m in the current* financial year.

Andrew Taylor

NATIONALISED INDUSTRY

Privatisation target dates slip further behind

THE nationalised industries have slipped back considerably in meeting the target date when they will be net contributors to the Exchequer. That now looks like the end of the decade. The total external financing limits—which limit the total borrowings from external sources — have been set at £692m in 1987-88, about £600m more than the public expenditure figures than was planned in the White Paper.

The nationalised industries split into two categories: those whose borrowing limits (including subsidies/grants where appropriate) constitute a charge on the Exchequer, and those which have negative EFLs, reflecting their contribution to the public purse.

Into the former category, with their EFLs for 1987-88 (EFLs 1986-87), fall: British Coal £727m (£730m); South of Scotland Electricity Board £84m (£236m); British Steel Corporation £66m (£146m); British Rail £751m (£771m); British Waterways £45m (£45m); British Shipbuilders £49m (£73m); water authorities in England and Wales £35m (£123m); and London Regional Transport £275m (£304m).

Most of the industries have been given reduced EFLs, reflecting the expected improvement in finances in some cases, for example, British Steel, and tougher financial targets for others which will have to be met from greater efficiencies and/or price increases. British Shipbuilders, for example, stripped of the warship yards, will have a tough time. BR and LRT, whose grants are included in the EFLs, are working towards programmes based on reducing grants, so that they represent no surprises.

The electricity industry has had a long tussle with the Treasury on pricing — the new EFL will be the first full year of lower electricity prices, but also the year when the full effect of lower-priced coal supplies will come into play. Details of price cuts for *industrial consumers are still being finalised, but* the *indications* are that consumers accounting for one *third* of industrial consumption will benefit from *reductions* averaging 6 per cent.

The Post Office, on the other *hand*, seems to have won its battle with the Treasury to be *allowed to spend* more on investment. The reduction in its EFL, *and* therefore its contribution to the overall public expen*diture* figures, will permit accelerated investment in *vehicles*, *computers*, and a pilot counter automation programme.

The Department of Trade and Industry has also allowed the Post Office to spend an extra £8m on top of its planned £98m investment in the current year. Both moves were described as "very welcome" yesterday by Sir Ron Dearing, the chairman.

The *overall* impact of the EFLs on public expenditure shows the profitable businesses contributing less in 1987/88 than in the current year. A major element in this side of the equation is the departure by privatisation this year of British Gas and British Airways, stripping out more than £400m. British Airports Authority and National Bus, due to be privatised in 1987/88, have been set EFLs totalling £10m. The Treasury says their financing requirements will depend on the progress and timing of the industry's disposals programme.

The net effect of privatisation is to reduce the impact that the lower EFLs of those staying in government ownership will have on the total. Taking into account thet the Treasury has not been able to cut the EFLs of the dwindling State-owned industries as much as it would have liked, and the continued presence of the water euthorities in State ownership, the outcome is a substantially higher charge on public expenditure than had been planned.

Hazel Duffy

External financing limits for the nationalised industries (1987-88)

	£m*
British Coal	727
Electricity (England and Wales)	−1 305
North of Scotland Hydro-Electric Board	−1
South of Scotland Electricity Board	84
British Steel Corporation	66
Post Office	−57
National Girobank	−3
British Railways Board	751
British Waterways Board	45
Scottish Transport Group	1
British Shipbuilders	49
Civil Aviation Authority	15
Water (England and Wales)	35
London Regional Transport	275
Other Industries†	10
Total	692

* Figures are shown rounded to the nearest £1m.
† Allowance for British Airports Authority, which is expected to be privatised in 1987-88, and for National Bus Company where external financing requirements will depend on the progress and timing of the industry's disposals programme.

BENEFITS

Higher than forecast

Total expenditure on social security benefits in 1987-88 is expected to amount to £46bn—some £1.7bn higher than the estimate in the public spending White Paper at the beginning of this year.

Nevertheless, National Insurance *contribution* rates for 1987-88 for employees and employers remain unchanged, the fourth successive year that rates have remained at the same level, while the Treasury Supplement paid to the National Insurance fund is reduced from 9 per cent to 7 per cent as from April 1987.

Thus the standard rates of NI contribution remain at *9 per cent for employees and* 10.45 per cent for their em*ployers*, with *reductions if* employees are contracted out *of the State Earnings-Related* Pension Scheme, and also for employees on lower earnings.

However, in accordance with usual practice, the earnings bands on which contributions are assessed are being changed from April 1987. The adjustments allow for price and earnings movements.

The *lower* earnings limit, which is related to the basic *single pension*, is raised from £38 to £39 a week. Employees earning below this weekly figure and their employers do not pay NI contributions. Thus this limit has been raised in *line* with price inflation—the basis on which state pensions are revalued.

The upper earnings limit, which is roughly one and a half times national average earnings, is increased by 3.5 per cent from £285 a week to £295 a week. Employees do not pay NI contributions on their weekly earnings above this figure. However, since October last year, employers have paid *contributions* on total earnings.

Earnings between the lower and upper limits form the band on which *the Serps* additional pension is based. Under the 1975 *Social Security Pension Act* the upper limit must *lie between* 6.5 times and 7.5 times the basic pension. The *proposed* changes mean that the upper limit is just under the 7.5 limit.

Employees earning over £295 a week (£15,340 a year) will pay an *extra 90p* a *week* NI contribution if they are in Serps or 71p a week if contracted-out.

The Government in October 1985 introduced lower NI Contribution rates *for* the lower paid. The earnings limits for these lower contributions have been raised.

The self-employed will pay an extra 10p a week on their fixed rate Class 2 contributions. The rate on their earnings-related Class 4 contribution remains at 6.3 per cent, but the annual earnings band to which it applies is changed in line with inflation from £4,450 — £14,820 to £4,590 — £15,340.

The overall effect is that the self-employed with earnings of at least £15,340 will pay NI contributions of £877.45 a year — an extra £29.14. Those earnings below *£2,125 will cease paying NI* contributions.

The standard statutory sick pay rate is being increased by 1 per cent from £46.75 to £47.20 a week and the lower rate by *4 per* cent from £31.60 to £32.85.

Eric Short

OIL INDUSTRY

Tax change welcomed as first step

THE ANNOUNCEMENT that Advance Petroleum Revenue Tax repayments are to be made early was gratefully received by the industry yesterday, which has been lobbying hard for such a change since the oil price collapsed at the beginning of the year.

However, the measure falls *short of full repayment* of APRT, because it is limited to a maximum of *£15m per company* per field. This will dispro*portionately* benefit smaller companies, which have been particularly badly hit by the fall in the oil price.

It will leave BP, Shell and Esso, which together pay 55 per cent of the *total* PRT bill, hardly better off.

Mr Colin Phipps, chairman of the Association of British Independent Oil Exploration Companies said: "PRT is a windfall profits tax, which we still have to pay even though we no longer make windfall profits. APRT was adding insult to injury. Its removal is going to help the cash-flow of every PRT payer."

Mr George Band, chairman of the UK Offshore Operators' Association welcomed the move, but said he hoped it was a first step towards payment of the full amount.

APRT was introduced to allow the Government to receive PRT (its main tax on oil revenues) early by pushing payments forward into the first years of a field's life.

In 1983 it was decided to *phase out APRT* by the end of this year, leaving some fields on which APRT had already been paid with an amount owing to them, as the actual PRT liability has been greatly reduced *by the fall in the oil price*.

Under current law, the balance was due to be repaid in 1988 and after, but yesterday's announcement means repayments will begin in March 1987.

The Government estimates the measure will cost it up to £310m in 1986-87, compared to an estimated £800m outstanding to the oil companies.

Since the fall in the oil price, oil companies have been asking for a number of measures from the Government to boost cash-flow and cut tax.

Early repayment of APRT was widely regarded as the most likely concession and the industry had been pressing for an urgent move before next year's Budget.

While yesterday's move was welcomed by oil companies, it is not expected to have a big effect on activity in the North Sea, which has fallen sharply as a result of lower oil prices.

The industry will continue to press for tax changes, including a reduction in the rate of PRT, to be incorporated in the Budget.

Lucy Kellaway

COAL AND POWER

Some light at the end of the mining tunnel

THE NEW external finance limits of British Coal contain the first visible evidence that the industry's traumatic manpower reductions are coming to an end.

Of the £727m authorised for *1987-88, it is understood that* only £47m has been earmarked *to pay off redundant miners*. With pay-offs expected to average *£17,000* per man under the less generous scheme which will *come in force next April, this* point to *a* drop in manning levels of between 2,000 and 3,000 a year, little more than a tenth of the numbers who have left the industry annually over the last three years.

The £47m is significant since it will be the first time for over a decade that redundancy payments will be officially footed by the coal industry rather than the Government, whose Redundant *Mineworkers* Payments Scheme last year cost some *£550m*.

The lower volume of anticipated payments adds some credibility to the forecast on Wednesday by British Coal's chairman, Sir Robert Haslam, that by the middle of next year the industry will be entering "calmer waters." British Coal hopes to break even in 1988-89, despite pressure caused by collapsing oil and world coal prices.

Lucy Kellaway adds: The electricity industry will create a larger cash drain for the Government in the next financial year than it was prepared for. The 1987-88 negative external financing limit has been set at £1.3bn, some £250m higher than budgeted for in its latest medium-term development plan, but about £100m less than the negative EFL for the current year.

However, the size of the payment is unlikely to signal a rise in electricity costs which, following a deal signed with British Coal this year for cheaper coal, are on a falling path.

Since the Electricity Council prepared its budget a year ago, plans for building the Sizewell nuclear power station have been pushed back, in response to the delay in winning the Government's go-ahead. While the Central Electricity Generating Board will start commissioning Sizewell as soon as approval is given (it is expected for early next year) total expenditure in 1987-88 is expected to be at least £250m lower than forecast.

Maurice Samuelson

LOCAL GOVERNMENT

Shire rebellion looms on rate support grant

NO ADDITIONAL funding will be made available to rate support grant payments to local authorities. This means Mr Nicholas Ridley, Environment Secretary, faces the prospect of confrontation with Conservative MPs representing shire counties.

The Chancellor confirmed that provision for overall local authority current expenditure in 1987-88 would rise by £2.92bn to £25.2bn and there would be no additional allocation from the Government.

Mr Ridley has already announced tentative proposals for the rate support grant and there is no indication he will be willing to alter them because of protests from Tory MPs. They complained the plans would lead to disproportionately high rate increases in shire counties, where Conservatives have the strongest representation.

The stage is therefore set for a rebellion early in the new session of parliament which opens next week. When the Government pushed through a similar settlement last year 32 Tory MPs voted against the Government and 20 abstained.

The statement showed local authority current spending would rise 4 per cent in 1988-89 and by a further 2½ per cent in *1989-90*, allowing for the phasing in of additional provision for teachers' pay.

On local authority capital spending, Mr Ridley said there continued to be problems of control over the substantial degree of overspending by many councils. This was unacceptable to the Government and this year a more *realistic* allowance had been made for receipts.

This had resulted in an in*crease of £660m in the main* cash limit for the five main *spending areas of housing*, education, transport, personal social services and other services. The revised plans allowed for spending against the cash limit of almost £5bn, an increase of £600m on provisions for 1986-87.

Mr Ridley's interpretation was immediately rejected by the Association of Metropolitan Authorities, which pointed out that councils were already spending £700m more than the Government planned, so the Government's *claimed* increase in the capital spending limit was an illusion.

Water charges are set to rise after the disclosure in the statement that the external financing *limit* for water euthorities in England will be increased by *£14m*. The stated purpose is to sustain the increased level of capital investment achieved in 1986-87 but the industry *believes it is part of the con*tinuing process of preparing the *authorities for privatisation* should the Conservatives retain power after the election.

Ministers put the *possible increases* in single figures and the Confederation of British Industry warned there could be an increase of about 7 per cent next year.

The CBI *believes* the *controls* on water authorities' borrowing *are so tight they will* be able to meet their capital spending pro*grammes* only by *increasing* prices, since the opportunities *for savings from efficiency* are limited.

Sir Terence Beckett, CBI director general, has written to Mr Ridley urging him to review the external financing limits set by the Government. He points out that substantial increases in charges would be a severe blow, particularly for such industries as steel-making, chemicals, paper-making, food processing and brewing, where water charges are an important element in production costs.

Richard Evans

ASSET SALES

Annual target raised to £5bn

THE CHANCELLOR raised the Government's target for receipts from the sale of State-owned companies and assets to £5bn in each of the next three years.

In last year's Autumn Statement he had set a target of £4.75bn in each of fiscal years 1986, 1987 and 1988. Mr Lawson said yesterday he expected his £4.75bn target for the current year to be achieved.

Treasury officials said the increase reflected a reassessment of the market values of assets to be sold, rather than a change in the Government's programme.

By Government accounting conventions, sales of State assets are treated as negative spending and therefore serve to reduce published public sector spending and the Public Sector Borrowing Requirement, the gap between Government spending and revenues.

The final call on British Telecom in the spring *raised* around £1.2bn, this year's call *on the first tranche* of British Gas is expected to bring in *about £2bn* later *this month* and the sell-off of British Airways in the New Year will raise an estimated £1bn.

This leaves *only around* £550m to raise this year to fulfil the target and the Government has at its disposal either Rolls-Royce, valued at around £800m, or the British Airports Authority, worth about £500m. The arithmetic suggests the BAA is the more likely candidate.

Government officials estimate the value of already scheduled privatisations and *candidates for* future flotations at nearly £26bn but the *timing* of further sales and the order of priorities have not been set.

If Rolls-Royce were not to be included in the *programme* for the current year, it would be an obvious *candidate for* 1987-88. The Government has said the flotation of the 10 regional English and Welsh water authorities, which in total could raise £5bn, will be delayed until after the next General Election. But, given an election in summer or autumn next year, at least part of the receipts from this sell-off could be included in next year's privatisation programme.

Janet Bush

HOUSING

Scant hope for clearing £20bn council repairs backlog

THE Chancellor has allocated an extra £451m to housing to *help pay for the rising cost of* renovating and improving council *houses and* to help *housing* associations provide more cheap rented accommodation for the homeless and for people who want to move in search of work.

The extra money has been made possible by the success of the Right to Buy scheme, said Mr Nicholas Ridley, Environment Secretary.

He said "over the next three years, receipts are now expected to yield some £950m more than previously forecast.

The Housing Corporation which co-ordinates the work of housing association quasi-charitable bodies, which provide cheap homes for rent, welcomed the new money. But the local authorities' body, the Association of Metropolitan Authorities, and the Building Employers' Confederation were sceptical.

They regarded £451m for both housing associations and council house renovations as a seriously inadequate contribution to an estimated £20bn backlog of council house repairs.

● The *gross provision for* local authority capital expenditure in 1987-88 will now be £2.9bn, an increase *of* £231m over the estimated outturn (the original March 1986 budget estimate) for 1986-87, the Environment Secretary said.

Mr Ridley emphasised that "in using their increased resources," local authorities would be expected to "give first priority to the renovation and maintenance of their housing stock."

He added: "I shall be able to make significant increases to the *amounts* allocated to local authorities to revitalise rundown *estates under schemes* developed in conjunction with my department's Urban Housing Renewal Unit."

The level of additional finance to be made available to the Urban Housing Renewal Unit has yet to be announced, but will be made public "shortly," said Mr Ridley.

The Urban Housing Renewal Programme was set up by the Environment Department with an initial £50m investment in June, 1985.

Its aim is to *bring* local authorities, private developers, *government agencies and* residents together to tackle the *problems of rundown* and vandalised council estates with the *help of Urban Housing* Renewal Unit money.

The scheme has been *so successful* it has been oversubscribed — 135 *schemes* were competing for the £30m remaining in the *kitty* this *summer*. The department then announced that it would seek to extend it.

Mr Ridley said he will also "be able to increase the gross provision for the Housing Corporation, particularly to *support* housing association schemes *financed* primarily by the private sector."

It already receives £858m of government funding a year and *about £25m from* the *private* sector, and announced in July that it wanted to raise up to £300m of private sector finance to enable it to double its housing programme.

The Corporation will not know how much of the £451m it will get until later today. But it will use the extra money to help attract private sector finance via the mechanism outlined by Mr John Patten, Housing Minister, last week.

Under this scheme, the 30 per cent Government-backed Housing Association grant could be mixed with 70 per cent private finance *from* building societies and institutions.

The *object* is to use the limited amount of public housing association money to spread private finance further to build more cheap rented accommodation—particularly in London—for the homeless and for young people who want to move in search of jobs.

al Gray

AUSTRALIAN MINING

Chris Sherwell on the outlook for Australia's third biggest company

Ralph faces a stern test at CRA

THE A$309m (US$198m) rights issue unveiled this week by CRA, the Australian resources group, followed three key announcements in the space of three months, which have drawn renewed attention to the company.

The announcements — concerning the leadership, ownership and performance of CRA, Australia's third largest company — mark an important milestone in its evolution, although they do not yet point to a significant shift in the group's direction.

CRA is thus set to remain a powerful force in minerals exploration and extraction — a business it entered in the first decade of the century through the extraction of zinc at Broken Hill in New South Wales.

The company has since moved into lead, silver, uranium, aluminium, iron ore, copper, coal, diamonds and salt, and for 25 years it has been identified largely with Rio Tinto-Zinc of the UK, which in the early 1960s had a stake of more than 90 per cent.

Over the past 15 years, one personality assumed increasing importance — Sir Roderick Carnegie, the chairman and chief executive, one of Australia's best-known businessmen. But times are changing, as the most recent developments demonstrate. Perhaps the most intriguing was the announcement in July that Sir Roderick was stepping down at the end of the year at the still tender age of 54.

His jobs have been split in two, with Mr John Ralph, the managing director, taking over as chief executive and Mr John Uhrig becoming non-executive chairman. Of the two, Mr Ralph, also 54, is the more important.

A solid but mild-mannered man whose father, two grandfathers and a great-grandfather all worked for the mining company in Broken Hill, Mr Ralph joined what was then called the Consolidated Zinc Corporation as an office junior at the age of 16 and learned accounting at night school.

Following the 1962 merger of CNZ's interests with those of Rio Tinto to form CRA (or Conzinc Riotinto of Australia), he found himself working on planning and budgeting, before going off for a stint at Harvard Business School in 1965.

Between 1968 and 1970 he worked at Rio Tinto Consultants in London. But Sir Roderick Carnegie's arrival at CRA in 1970 posed him with a choice. He decided to return to Australia, and from then on appeared to be groomed to take over, moving away from finance and more into operations.

Sir Roderick's departure was always in prospect. He had become chairman and managing director in 1974, and had long stated his intention to do his job for around 10 years. But his move was made in anticipation of the final step by Rio Tinto-Zinc to reduce its stake from its most recent level of 52.3 per cent to below 50 per cent.

This follows an eight-year process of "naturalisation" which was close to Sir Roderick's heart. Indeed, it is clear he stayed on beyond his planned 10 years, principally to see it through.

The process reached its climax in mid-October with the announcement of RTZ's disposal of 16.4m shares to the Australian Mutual Provident Society (AMP). The sale, reducing Rio Tinto's stake to 49 per cent, made CRA a majority publicly owned company with Australianised status.

The principle, this seems likely to make little immediate difference, as the country's foreign ownership rules have allowed CRA to be treated as an Australian company since the naturalisation process began. In practice, however, the move does alter perceptions, both within the company and outside. While RTZ says it does not intend to reduce its stake further—it is to take up all its entitlement to the one-for-eight rights—and the company does not look significantly more vulnerable to a takeover, a sign of the changed environment has already come with the other recent announcement, publication in September of CRA's first-half results.

These showed a plunge into loss after extraordinary items showed a decision to take "on the nose" A$183m worth of foreign exchange losses caused by the impact of the heavy depreciation of the Australian dollar on the company's foreign borrowings.

The effect was to transform after-tax earnings of A$60.3m in the six months to June to a loss of A$125.8m. According to the directors, the write-off of currency losses was made because, during the period that the company's foreign borrowings would be repaid, they thought it unlikely that the Australian dollar would recover to levels above those prevailing at the end of last year.

The directors say that, even without this effective accounting change, the group would have seen a loss of almost A$9m. For broking analysts, however, the significance of the switch is that, following this one-off loss, CRA's results will under-report its profits far less severely than in the past.

According to this argument, CRA's highly conservative accounting practices hitherto have significantly reduced its

Mr John Ralph: "We have to be competitive"

reported earnings, making it appear less successful compared to other mining groups than it actually is.

Now, with RTZ holding 49 per cent, says one analyst, the company cannot afford not to look as strong as possible, even though it may be little more vulnerable to predators than before. The rights issue announced on Wednesday is intended to fund exploration and capital spending, which until now has been largely funded from internal resources and borrowings.

Either way, the sense of momentum about CRA's activities remains inescapable. In the past three years alone the group has brought two major coal projects and the big Argyle diamond venture to fruition. This is all on top of activities like its vast iron ore projects—the major contributor to earnings—and the Bougainville copper project in Papua New Guinea.

For the future CRA says it is looking at an interesting uranium deposit in Western Australia, a titanium and zirconium project in Victoria, a gold deposit in Papua New Guinea and, with Britain's BP, a coal deposit in Borneo. It is also involved in developing a steelmaking process with Kloeckner of West Germany, and is trying to develop a hard-wearing aluminium alloy which might permit the emergence of lightweight engines which do not need external protection.

The news is not all good, however. An attempt to move activities downstream faltered last year with CRA's withdrawal from a joint venture with *Showa Aluminium of Japan* after heavy losses in 1984 and 1985. Similarly, an industrial dispute at Broken Hill mines brought an eight-week strike earlier this year and a stoppage at the huge lead smelter at Port Pirie, South Australia. The dispute is yet to be finally settled, but these mines' future looks limited whatever happens.

It is also not lost on CRA that Australia's competitors—countries like Brazil, Chile, Zambia and Zaire—have seen their currencies weaken in relation to the US dollar far more than Australia's dollar.

On top of this is the generally gloomy commodity price outlook and the more peculiar Australian problem of government taxes and charges. CRA says the Government's "take" in 1985 amounted to A$317m 77 per cent of its earnings. Now it is facing the additional burden of the new fringe benefits tax, which it sees as a grossly inequitable tax on employment.

In his capacity as head of Comalco, the aluminium arm of CRA, Mr Ralph spoke out strongly in April against the tax and against high interest rates. He also warned that the improved competitiveness brought by the weaker Australian dollar would not last unless the country's 8 per cent inflation rate was cut. But he draws encouragement from the fact that, in the months since then, public debate has pushed opinion in favour of structural reform in the economy.

CRA itself has meanwhile virtually completed its own structural reorganisation, a process of decentralising aimed at improving efficiency and productivity. "We're putting our effort into how to use technology better," says Mr Ralph "We're in the commodity business, and therefore price takers. We have to be competitive if we're to generate cash and grow." For him, the real test is about to begin.

STOCK EXCHANGE BUSINESS IN OCTOBER

Turnover in all securities increases by 8.29%

BY TERRY BYLAND

INCREASED turnover in equities, both before and after Big Bang day on October 27, provided the main feature of business on the UK Stock Exchange in October. The Exchange said yesterday that it has extracted from the October statistics all deals between market-makers, with the exception of the day after Big Bang. Market-maker deals do not involve outside investors or dealers.

Turnover in all securities, both fixed interest and equities, rose by 8.29 per cent to £46.18bn. The bulk of the increase came in the ordinary share sector, where turnover jumped by 21.54 per cent to £15.30bn. There were signs that many institutions hurried to complete portfolio rearrangements ahead of Big Bang, but were then drawn into the market in the final week of October when equity prices began to respond to hopes for stable interest rates in the UK.

Optimism

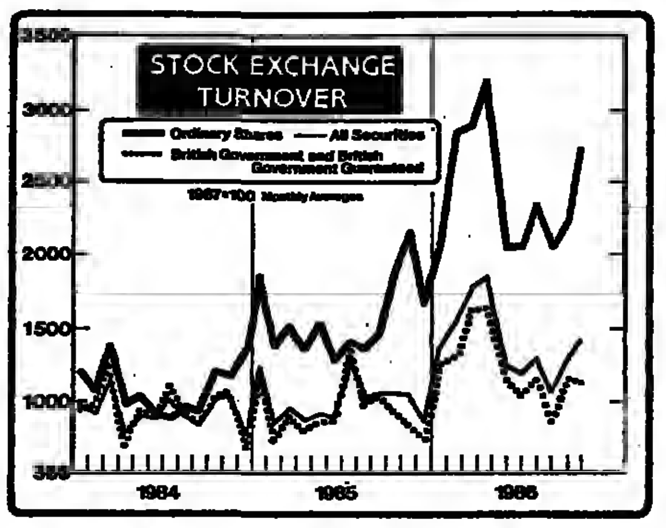
Last week, the Stock Exchange disclosed that share turnover had risen sharply in the first week of post-Big Bang Trading, and quoted daily turnover totals of around £1,000m at mid-week, compared with previous averages of around £640m. But the Exchange warned that the post-Big Bang figures included deals between market-makers, adding that it was examining ways of collating the statistics that would separate market-maker deals from the rest.

Also boosting equity turnover last month was the issue of shares in Trustee Savings Bank (TSB) on October 10. The heavy involvement in this issue of the private investor was disclosed in a jump of 83.3 per cent to 837,471 in equity bargains for the month. Many small investors continued to sell their TSB stock during October.

But, in contrast with equities, trading in government bonds slackened last month as worries over domestic interest rates were calmed, first by the confident tone of the speech at the Mansion House by the UK Chancellor of the Exchequer, and then by expectations that the departure from OPEC of Sheik Yamani would increase the chances of higher oil prices, and thus a stronger pound.

A fall of 11.04 per cent to £11.96bn in the value of trading in short-dated gilt edged securities indicated the calmer mood which followed the rise of one point in UK bank base rates. Fears in the market that base rates might have to rise by a further point were checked when sterling began to improve in response to optimism over oil prices.

Longer-dated government bonds were also quieter last month, returning a trading total of £27.15bn, a dip of 2.02 per



cent on the previous month. Turnover in gilt-edged securities remained brisk throughout the introduction of the new Big Bang market techniques. Dealers were unperturbed by the initial absence of many bond price quotations from the Stock Exchange Seaq screens.

Other fixed interest stocks, however, were more active last month, and recorded turnover of £15.18bn, a gain of 6.48 per cent. Trading in corporate bonds is somewhat erratic in pattern and tends to lag behind the gilt-edged sector, rather than to respond to shifts of opinion on interest rate prospects.

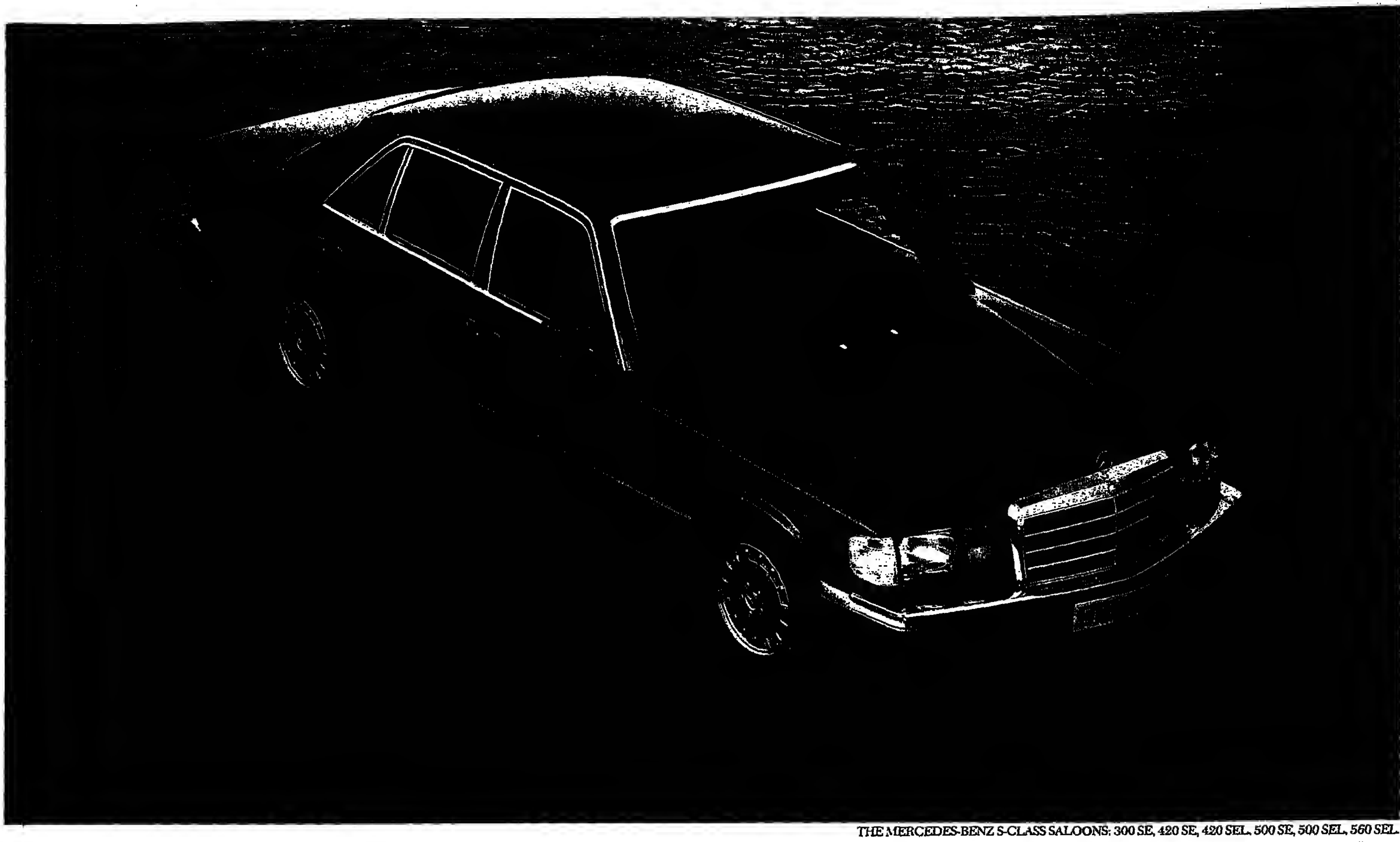
The disclosure of daily turnover details for the Alpha, or high-visibility, equity stocks, has made it apparent that trading in many internationally favoured issues can vary considerably from one session to the next.

Oil stocks, in particular, are swayed by demand for the shares from New York trading houses, which may need to top up their trading books after a busy session in their domestic markets. Transatlantic demand has also begun to spill out beyond the traditional blue chip favourites. Hanson Trust, recently quoted in the US in the form of American Depositary Receipts (ADRs) has attracted increased demand on both sides of the Atlantic. Reuter, also quoted in ADR form in the US, has seen a substantial increase in interest in recent weeks.

The rise in turnover in ordinary shares was reflected in sharp gains in stock market indices. The Financial Times Ordinary Index, covering 30 of the blue chip issues, gained 58.4 points last month to reach 1,285.4, its highest level for the period.

The FT Government Securities Index, after moving up smartly at mid-month, ended at 82.93, only 0.04 up.

A fall of 41.8 points to 277.2 in the Financial Times gold share index reflected widespread selling of South African gold mining shares on a range of economic and political considerations. Further withdrawals from South Africa by leading US companies damped down US interest in the gold producer issues, leaving both London and continental houses to sell into difficult markets.



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THE ARTS

Arts Week

F	S	Su	M	Tu	W	Th
7	8	9	10	11	12	13

Opera and Ballet

LONDON

Royal Opera, Covent Garden: The Traviata revival features Lucia Aliberti at all performances (taking over the share of the indisposed Katia Ricciarelli), with Arthur Davies and Peter Dvorsky alternating as Alfredo, and Yury Simonov conducting. (240 1066).

English National Opera, Coliseum: two of this season's Eno new productions continue in repertory – the Jonathan Miller non-Japanese Mikado, with Eric Idle as Ko-Ko, and the double bill of Cavalleria Rusticana and I Pagliacci produced by Ian Judge and conducted by Jacques Delacôte (836 3161).

Royal Opera House, Covent Garden: Kenneth MacMillan's Mayerling and The Sleeping Beauty with Gelsey Kirkland as Aurora.

SPAIN

Barcelona, Massenet's Don Quixote with Ruggero Raimondi, Gabriel Bacquier and Martha Senn. Gran Teatre del Liceu, Sant Pau 1. (318 92 77).

VIENNA

Staatsoper: La Bohème conducted by Rudel with Malfitano, Renée Cupido; Die Verkaufte Braut. National Theatre of Prague, conducted by Vajnar with Benackova-Cap, Drobkova, Vitkova, Jonasova; Der Rosenkavalier conducted by Weikert with Rysanek-Gausmann, Schmidt, Wise, Miljakovic, Gall, Sasaki; Dalibor. National Theatre of Prague, conducted by Vajnar with Machakova-Hruba, Markova, Zitek, Vodicka. (51 444/2655).

Volksoper: Der Mantel/Gianni Schicchi; Der Wildschütz; Die Csardasfürstin (51 444/2657).

NETHERLANDS

Amsterdam, Muziektheater. The National Ballet with Giselle choreographed by Petipa and revised by Peter Wright (Tue to Thur). (255 455).

Scheveningen, Circus Theatre. Anne Marie de Angelo's American Dance Theatre (Tue). The Royal Ballet of Flanders in Cinderella, choreographed by Valery Panov (Wed). (55 88 00).

Groningen, Schouwburg. Nederlands Dans Theater with Ballet Scenes (Stravinsky/Van Manen). Symphony of Psalms (Stravinsky/Kylian), and a new ballet by Ed Wubbe (Tue). (12 56 45).

Eindhoven, Schouwburg. The Netherlands Dans Theater with Jiri Kylian's Sechs Tänze (Mozart), Soldier's Mass (Martinu), and L'Enfant et les Sortilèges (Ravel). (Wed). (11 11 22).

The American Bucket Dance Theatre company on tour. Mon in Breda, Concordia (13 57 00), Wed in Tilburg, Schouwburg (43 22 20), Thur in The Hague, Koninklijke Schouwburg (46 94 50).

ITALY

Rome: Teatro dell'Opera: Spontini's Agnese di Hohenstaufen with Monserrat Caballe, Glenys Linos, Veriano Luchetti, Rainer Buse and Ezio di Cesare. A new production by Antonio Calenda conducted by Maximiano Valdes. The opera was last seen in Italy in 1971 in Florence. (46 17 55).

Rome: Teatro Brancaccio: (244 Via Merulana): The Aterballetto in a programme of four ballets. (Wed and Thur). (46 17 55).

Florence: Teatro Communale: La Gioconda conducted by Miguel Gomez-Martinez and directed and with scenery and costumes by Sylvano Bussotti. Ghena Dimitrova in the title role. Ballerina Carla Fracci will also be taking part, with the Orchestra, Choir and Corps de Ballet of the Maggio Musicale Fiorentino. (27 79 236).

Trieste: Teatro Communale Giuseppe Verdi: Rigoletto conducted by Hubert Soudant and directed by Lamberto Puggelli with Susie Jo, Gloria Scalchi, John Rawnsley and Antonio Savastano. (63 19 48).

NEW YORK

Joffrey Ballet (City Center): The five-week, 30th anniversary season features Frederick Ashton's La Fille Malgardée, a newly commissioned work from Mark Morris and the New York premiere of Mark Haim's The Gardens of Boboli. Ends Nov 16. 55th e. of 7th Av (581 7907).

Metropolitan Opera (Opera House): The week features Romeo et Juliette conducted by Placido Domingo with Cecilia Gasdia, Brian Schexnayder and Paul Plishka; Der Rosenkavalier conducted by Jeffrey Tate in Nathaniel Merrill's production with Anna Tomowa-Sintow, Brigitte Fassbaender, Taro Ichihara and Gottfried Hornik; Tosca conducted by Garcia Navarro in Franco Zeffirelli's production with Eva Marton, Placido Domingo and Italo Tajo; and James Levine conducting Le Nozze di Figaro in Jean-Pierre Ponnelle's production with Elisabeth Soederstroem, Kathleen Battle and Thomas Hampson. Lincoln Center (362 6000).

New York City Opera (NY State Theater): The final week of the season features Leonard Bernstein's Candide following final performances of Die Fledermaus conducted by Imre Pallo in Gerald Freedman's production with Leigh Munro and Theodore Baerg; Edith Davis in the title role in Frank Corsaro's production of Madama Butterfly conducted by Christopher Keene, Mefistofele, and Love for Three Oranges. Lincoln Center (870 5600).

Next Wave Festival (Brooklyn Academy of Music): Mark Morris Group performs an original choreography to Pergolesi's Stabat mater performed by the St Luke's Chamber Orchestra (Wed, Thur). (718 636 4100).

PARIS

Offenbach's La Belle Hélène with the title role sung by Eva Saurova/Valérie Marestin and that of Paris sung by Pierre Catala/Roger Pujol. Théâtre de Paris (4874 1075).

WASHINGTON

Washington Opera (Opera House): The week features Mstislav Rostropovich conducting Rimsky-Korsakov's The Czar's Bride, directed by Galina Vishnevksaya with Elizabeth Knighton, Cleopatra Ciurca, and Ivan Konsulov; and Wolf-Dieter Ludwig's new production of Il Trovatore conducted by Daniel Oren with Susan Dunn and Franco Bonisolli. Kennedy Center (254 3770).

TOKYO

Matsuyama Ballet: Don Quixote with Yoko Morishita, Rudolf Nureyev. Nicolas Giorgiades. Nissei Theatre, Hibiya (Thur). (503 3111).

Fujiwara Opera Company: Levilli and Cavalleria Rusticana. Shinjuku Bunka Centre. (Tue, Wed, Thur). (371 5384).

CHICAGO

Lyric Opera: Handel's Orlando. John Copley's production is conducted by Charles Mackerras with June Anderson, Marilyn Horn and Jeffrey Gall. Edita Gruberova takes the title role, and Neil Shicoff sings Edgardo in director Peter Reichenbach's production of *Lucia di Lammermoor* conducted by Charles Mackerras. (332 2244).

WEST GERMANY

Berlin, Deutsche Oper: Hoffmanns Erzählungen, sung in French, has fine interpretations by Kenneth Riegel and Faye Robinson. Götterdämmerung stars Ute Vinzing, Hanna Schwarz and René Kollo. Eugen Onegin is revived with Pilar Lorengar, Daphne Evangelatos. Also Die Lustigen Weiber von Windsor and Katja Kabanowa.

Hamburg, Staatsoper: The Magic Flute has Heseon Kwon, Helen Donath, Kurt Moll and Horst Laubenthal. Die Verkaufte Braut stars Olive Fredricks, Hildegard Hartwig, Martti Talvela and Dieter Weller. Manon Lescaut has a particularly strong cast with Natalia Troitskaya, Rachel Joselson and Guiliano Ciannella. Also Il Trovatore and Carmen, the latter conducted by Giuseppe Patane.

Frankfurt, Opera: The Ruth Berghaus production of Siegfried will have its premiere this week. The cast is led by Catarina Ligendza, Cornelia Berger, William Cochran, Wolfgang Probst and Adalbert Weller. Der Zigeunerbaron features Eliane Coelho, Danica Mastilovic and Heinz Hagenau. Christoph Pregardien and Sharon Markovich sing in Orpheus *in der Unterwelt*. Die Verkaufte Braut round off the week.

Cologne, Opera: Moses und Aron, produced by Achim Freyer, will have its premiere this week. The main parts are sung by Siegfried Haertel and Günter Neumann. Festival on Voices stars Jeannine Altmeyer, René Kollo and Matthias Hölle. The programme offers works by Wagner. *Die Heimliche Ehe* has fine interpretations by Carlos Feller, Janice Hall and Claudio Nicolai. Zar und Zimmermann is a well done repertoire performance.

München, Bayerische Staatsoper: Francesco Cilea's rarely played Adriana Lecouvreur is an event of more than passing interest with Natalia Troitskaya, Hanna Schwarz and Giacomo Aragall. Tosca convinces thanks to Hildegard Behrens in the title role. Also Wolfgang Sawallisch conducting Il Tabarro/Gianni Schicchi in Tito Gobbi's productions with Julia Varady, Cornelia Murgu, Astrid Varnay and Rolando Panerai. Don Carlos with Ileana Cotrubas and Giorgio Lamberti and Der Fliegende Holländer with Donald McIntyre closes the week.

Music

SPAIN

Madrid, Lieder concert with soprano Carmen Bustamante accompanied by Perfecto Garcia Chorvet. Circulo de Bellas Artes, Marques de Casa Riera 2. (Mon).

Madrid, Teatro Real, Paseo Isabel 11: Sonatas by Beethoven with Daniel Barenboim. (Mon). (Nov. 8., 12., 25. and 28.); Tue: (Nov. 5., 11., 19., 20. and 23.). Orquesta y Coro Sinfonico de RTVE conducted by Edmon Colomer. Guridi, Liszt and Beethoven (Thur).

VIENNA

Ensemble Modern der Jungen Deutschen Philharmonie conducted by Heinz Holliger with Aurele Nicolet, flute; Thomas Fischer, double-bass. Hollinger, Huber, Wyttenbach. Konzerthaus Mozart Saal Mon (72 12 11).

Grigori Sokolov, piano. Beethoven, Schumann, Stravinsky. Musikverein (Tue).

NETHERLANDS

Utrecht, Vredenburg. The Netherlands Philharmonic conducted by Hubert Soudant, with Jean-Jacques Kantorow, violin: Rossini, Martin, Schubert, Britten (Wed). Recital Hall: Travelling Music Ensemble led by Christian Bor: Schubert, Klughardt, Brahms (Wed). Mahler Lieder sung by Jard van Nes, mezzo, accompanied by Gérard van Blerk (Thur). (31 45 44).

Groningen, Oosterpoort. Orchestra of the 18th century under Frans Brüggen. Mozart, Schubert (Tue). (13 10 44).

LONDON

Segovia: Royal Festival Hall (Mon). (928 3191).

Royal Philharmonic Orchestra conducted by Yuri Temirkanov with Miriam Fried, violin, Prokofiev, Bruch and Sibelius (Thur). Royal Festival Hall.

PARIS

Orchestre de Paris conducted by Christoph von Dohnanyi, Philippe Bianconi, piano. Orchestre de Paris Choir conducted by Arthur Oldham: Haydn, Schumann, Ives (Wed, Thur). Salle Pleyel (4561 0630).

Nouvel Orchestre Philharmonique conducted by M. Janowski, Siegmund Nimsgern, baritone, Martin, Bruckner (Thur). Radio France, Grand Auditorium (4230 1516).

WEST GERMANY

Frankfurt, Alte Oper: Ivo Pogorelich, piano. Scarlatti, Beethoven, Chopin, Scriabin (Mon).

ITALY

Milan: Reggio-Emilia: Teatro Municipale Valli: Maurizio Benini conducts the Bologna Communale Symphony Orchestra in Haydn's Seven Last *Words of Christ on the Cross (Mon)*. (40 346).

Rome: Chiesa di S. Sabina (Colle Aventino): Ludus Dabielis – a 12th century liturgical drama by the New York Ensemble for early Music conducted by Frederick Renz and directed by Paul Hildebrand Jr. (Wed and Thur). (360 1752).

NEW YORK

New York Philharmonic (Avery Fisher Hall): Zubin Mehta conducting, Eugene Levinson, double bass; Charles Rex, violin; Joseph Robinson, oboe. Haydn, Hindemith, Koussevitzky, Scriabin (Tue); Zubin Mehta conducting, Paul Neubauer, violin; Leonard Davis, viola; Roger Woodward, piano. Bach, Xenakis: Kegrops (world premiere). (Thur). Lincoln Center (874 2424).

The Waverly Consort (Alice Tully): The Road to Compostela, songs of medieval travellers and pilgrims (Thur). *Lincoln Center (362 1911)*.

WASHINGTON

National Symphony (Concert Hall): Mstislav Rostropovich conducting. Barber, Schubert, Rimsky-Korsakov (Tue); Mstislav Rostropovich conducting, Uto Ughi violin, Oratorio *Society of Washington* directed by Robert Shafer. Haydn, Dvořák, Prokofiev (Thur). Kennedy Center (254 3776).

CHICAGO

Chicago Symphony (Orchestral Hall): Claudio Abbado conducting, Margaret Price soprano, Lucia Valentini-Terrani mezzo-soprano, Taro Ichihara tenor, Gwynne Howell bass, Chicago Symphony Chorus. All-Verdi programme (Thur). (435 8111).

TOKYO

Maurice André, trumpet. Telemann, Bach, Albeniz. Hitomi Memorial Hall, Showa Women's College, Sangenjaya (Mon). (237 9900).

Prażak String Quartet. Haydn, Smetana, Dvořák. Nikkei Hall, Otemachi (Thur). (235 1861).

NHK Symphony Orchestra conducted by Václav Neumann. Smetana. NHK Hall (Thur). (465 1780).

Suntory Hall, St Louis Symphony Orchestra conducted by Leonard Slatkin. Mozart, Mahler, (Mon); Mitsuko Uchida with English Chamber Orchestra in cycle of Mozart piano concertos (Tue); English Chamber Orchestra conducted by Andrew Litton with Nobuko Yamazaki, cello. David Matthews, Haydn, Mozart (Wed); Premieres of commissioned contemporary music: Tokyo Metropolitan Symphony Orchestra conducted by Hiroyuki Iwaki. Isang Yun, Keith Gifford, Hans Zender, Lutoslawski (Thur). (505 1010).

Theatre

TOKYO

'Takarazuka All-Girls' Revue. This phenomenon, the antithesis of Kabuki where all the roles are played by girls but with typical Japanese innocence and earnestness and totally un-camp, is a must for visitors. Takarazuka perform elaborately staged and skilled musical adaptations of both Japanese and Western plays – also revues and standard musicals. Highly improbable plots are more than compensated for by spectacular stagings and huge casts. Takarazuka provide another insight into the incongruous mosaic of Japanese culture. Detailed English summaries in the programme – in case the original story is altered beyond recognition. Takarazuka Theatre, near Ginza and main hotels. Afternoon and evening performances. (591 1711).

LONDON

Les Liaisons Dangereuses (Ambassadors): Christopher Hampton's masterly version of Laclos' epistolary novel is sexy, witty and wise, like a collaboration between Marivaux and de Sade. Howard Davies's sell-out pre-Revolutionary production for the RSC has moved from the Pit with Alan Rickman and Lindsay Duncan still battling and bitching over lovers and other riffraff. (836 6111, CC 836 1171).

Misalliance (Barbican): Rarely seen Shaw, and a much underrated play, given the full RSC works by John Caird, a Polish new woman crashing into the surrey conservatory in her monoplane. Jane Lapotaire sparkles alongside Brian Cox, Elizabeth Spriggs and newcomer Richard McCabe (628 8795, CC 638 8891).

Lend Me a Tenor (Globe): Ian Talbot leads the new cast in Ken Ludwig's fizzing comedy about backstage tribulations in Cleveland, Ohio, during a doomed 1932 tour of Verdi's Otello. A blight at the opera. (437 1592, CC 379 6433).

The Phantom of the Opera (Her Majesty's): Spectacular but emotionally nutritional new musical by Andrew Lloyd Webber emphasising the romance in Leroux's 1911 novel. Happens in a wonderful Paris Opera ambience designed by Maria Bjornson. Hal Prince's alert, affectionate production contains a superb central performance by Michael Crawford. A new, meritorious and palpable hit. (839 2244, CC 379 6131/240 7200).

Woman in Mind (Vaudeville): Alan Ayckbourn's new comedy has a brilliant performance by Julia McKenzie as a dissatisfied housewife visited on her own garden lawn by an imaginary ideal family. Bleak but funny, hailed in some quarters as vanguard feminist drama; be not put off by that. (836 9987/5645).

42nd Street (Drury Lane): No British equivalent has been found for New York's Jerry Orbach, but David Merrick's tap-dancing extravaganza has been rapturously received. (836 8108).

NEW YORK

Cats (Winter Garden): Still a sellout, Trevor Nunn's production of T.S. Eliot's children's poetry set to trendy music is visually startling and choreographically feline, but classic only in the sense of a rather staid and overblown idea of theatricality. (239 6262).

42nd Street (Majestic): An immodest celebration of the heyday of Broadway in the '30s incorporates gems from the original film like Shuffle Off To Buffalo with the appropriately brash and leggy hoofing by a large chorus line. (977 9020).

A Chorus Line (Shubert): The longest-running musical ever in America has not only supported Joseph Papp's Public Theater for eight years but also updated the musical genre with its backstage story in which the songs are used as auditions rather than emotions. (239 6200).

La Cage aux Folles (Palace): With some tuneful Jerry Herman songs, Harvey Fierstein's adaptation of the French film manages, barely, to capture the feel of the sweet and hilarious original between high-kicking and gaudy chorus numbers. (757 2626).

I'm Not Rappaport (Booth): The Tony's best play of 1986 won on the strength of its word-of-mouth popularity for the two oldsters on Central Park benches who bicker uproariously about life past, present and future, with a funny plot to match. (239 6200).

Big River (O'Neill): Roger Miller's music rescues this sedentary version of Huck Finn's adventures down the Mississippi, which walked off with many 1985 Tony awards almost by default. (246 0220).

The Mystery of Edwin Drood (Imperial): Rupert Holme's Tony-winning resurrection of the unfinished Dickens classic is an ingenious musical with music-hall tunes where the audience picks an ending. (239 6200).

CHICAGO

Pump Boys and Dinettes (Apollo Center): Facetious look at country music and down-home country life with a good beat and some memorable songs, especially one played on kitchen utensils has proved to be a durable Chicago hit. (935 6100).

WASHINGTON

The Marriage of Betty & Boo (Arena): Christopher Durang's latest swipe at domestic life and marriage has an autobiographical air as it dissects three generations of a contemporary American family. James C. Nicola directs a cast headed by Casey Biggs, Donna Snow and Thomas Anthony Quinn. Ends Nov 23.

Continued on Page 20

THE ARTS

Cinema/Nigel Andrews

Dancing orphans of the media storm

Ginger and Fred directed by Federico Fellini
Ruthless People directed by *Jim Abrahams, Jerry and David Zucker*
Shoah directed by Claude Lanzmann

Giulietta Masina and Marcello Mastroianni as Ginger And Fred

If Dante had lived in the age of multichannel commercial television, then *Dante's Inferno* might have been set, like most of *Ginger And Fred*, in a Rome TV studio. All subhuman life is here. TV screens writhe with giant bowls of pasta; women gurgle paeans to mortadella sausage; nubile girls bend over to demonstrate "edible panties," with help from an appreciative set of male teeth. Through this trial by orgy our hero and heroine, ageing hoofers Marcello Mastroianni and Giulietta Masina, walk in numbed innocence. They have come to Rome for a variety "telethon" where they will revive their long-retired talents as Italy's answer to Astaire and Rogers.

This wonderful film, Federico Fellini's best since *8½*, is a sentimental fable squeezed between layers of horripilant satire. Ever since Italy deregulated its television service five years ago, most popular entertainment programmes have resembled the tortures of the damned choreographed by Busby Berkeley.

Fellini being Fellini (and being quite incapable of being anyone else), the TV studio's overfed *danse macabre* is allowed to spill over into the edges of the film's story and style; so that we are never sure where reality ends and hyperbola and hallucination begin. The first thing Miss Masina sees on arrival at Rome's Stazione Termini is a 20-foot-long papier mâché pig hanging upside down from the station roof. (It is advertising a sausage firm). Soon she is running the gauntlet of street posters in which curvacious women ride giant toothbrushes, or of the bizarre fellow guests on her telethon who throng her hotel lobby. These include a deaf admiral, a levitating monk, a troupe of midgets and a small army of "lookalikes" who claim dubious similitude to such as Woody Allen, Kojack and President Reagan.

And once in her room, she finds she overlooks a surreal hillside with a purple backdrop sky and a TV tower with revolving lighthouse-like beam.

Anyone can make a satire on consumerism and media madness. But Fellini, blowing life into his material with godlike cheeks, expands satire into metaphor, then metaphor into myth. The she-wolf who once suckled Roma's founders has her modern descendant here in a series of grossly respendent fecundity images. The pendant pig promising infinite succulence; the ham and pasta commercials which swell in size and fulsomeness as the movie goes on; and the umpteen-uddered cow who mingles with the TV gala's cast and is surely Fellini's goddess of the TV age—pep on tap and a teat for each channel.

The more the dimensions of the film's comic vision expand, the more Mastroianni and Masina — he rueful, she pixillated, both in superb form — seem like twin Gullivers adrift in Brobdingnag. Their climactic dance routine is a chapter of accidents (first an electricity blackout, then a pratfall by "Fred"), but it brings them together as orphans of the media storm. Where to seek refuge? Either in such old-fashioned virtues as they discover during their reunion: love, companionship, and the infinite tolerance taught us by age. Or in the belief that the marvellous is not, and never can be, a mere matter of media engineering. "Why ask for miracles?" says the levitating monk when he refuses to levitate for the teleshow; "The miraculous is all around us."

The sense of the miraculous is Fellini's greatest gift to cinema — and it is beautifully in evidence in *Ginger And Fred*.

*

The prize exhibit in *Ruthless People* is Bette Midler. Playing a kidnapped Los Angeles heiress, she comes on like a cross between Barbra Streisand and a demented porker. This well-nourished force of nature is abducted on the very evening her husband (Danny DeVito, the pint-pot desperado of *Jewel Of The Nile*) was planning to kill her. So his response to the kidnappers (Judge Reinhard and Helen Slater) who say "Don't contact the press or police" is to contact both. "Did he hire a publicist?" cry Reinhold and Slater in despair, as the story is plastered across every front page and wanted poster. DeVito likewise declines to pay the $500,000 ransom, and is still stalling when the kidnappers come down (like exhausted used-car salesmen) to 50,000 and then 10,000.

Throw in one more pair of ruthless people—DeVito's blackmailing mistress and her dim-witted lover—and we have a Magnificent Six skeetering round LA slipping on self-planted banana skins.

Well, fairly magnificent. The film is directed by the gang of three who brought you *Airplane:* Jim Abrahams and Jerry and David Zucker. Unfortunately, it is not written by them, that credit going to Dale Launer, and the result is medium-altitude comedy, several thousand feet below that incomparable high flyer. But one still treasures the odd eruptive moment: as when DeVito buys a Dobermann Pinscher to deal with the incontinent poodle his wife has left behind—"Muffy, meet Adolf. Adolf, eat Muffy." And one also treasures Midler: the face of a bloated melon atop a body as plumply queasy as a water-bed. Her best lines have the eclat of unscripted improtus. (At first sight of her kidnappers who are wearing duck masks, "Oh my God, I've been kidnapped by Huey and Dewey.") And even when saying nothing, she still seems wittier than anything else in the film.

Claude Lanzmann's extraordinary documentary *Shoah* is nine and a half hours of testimony about Nazi atrocities during World War 2. There are interviews with Jewish survivors of the death camps and with SS officers still living. And there are meetings with people who lived on the edge of the holocaust, from the drivers of the "cattle trucks" to the farmers who tilled the land next to Auschwitz and Treblinka.

The black hole in human history through which 6m Jews disappeared in six years of institutionalised barbarism is still a phenomenon human beings struggle to deal with. In cinema they have the best equipment with which to do so: a living way to research history, reawaken memories, rediscover participants.

Lanzmann's achievement is patient, scientific, cumulative and overwhelming. The horrors detailed are legion and graphic. Witnesses talk of the free vodka with which the train drivers were supplied to dim their ears to the sound of screams, or of the "cut throat" sign with which peasants in the fields indicated to Jews on the passing train the fate that awaited them. And inside the camp they talk of the ground shaking to the poisoned fumes released from the bodies underneath, or of a pile of corpses aboveground standing in a lake of "blood, worms and shit." Lanzmann also searches beyond the sensational for the human emotions that allowed the holocaust to happen: like the anti-semitism he finds still rife in the Polish village of Grabow.

With so vast and ungraspable a nightmare, any one man's research, however probing, is like a pin repeatedly stuck in a whale. However many incisions he makes, however much blood he draws, nothing can truly slow or dim its tremendous bulk and energy. But it is a feat in itself to have got so close and pierced the surface so often. There are still some later parts of the film I have not seen, due to late-announced Press shows. When I have seen them, I shall return to *Shoah*.

Too True To Be Good/Riverside Studios

Michael Coveney

The lights dim at Riverside Studios to the sound of the "Teddy Bears' Picnic—on way of setting up Shaw's inter-war political extravaganza as an attractive, bedtime cautionary tale. Critics have traditionally given up on the general meaning of *Too True To Be Good*, but Mike Alfreds and his Shared Experience company give access to a great conversational drama among characters losing touch with identity, each other and any context of moral or religious values.

If the RSC's *Misalliance* restores a prophetic masterpiece, this production offers the same play 20 years on with no sign yet of Captain Shotover to take over the helm. The first act, described neatly by Desmond McCarthy as farcical Christian Science, introduces us to a wealthy girl suffering from measles who walks out on middle class morality, and that ridiculous green Microbe, to freedom and illicit adventure with her nurse and a burglar.

Whereas adventure comes crashing through the Sussex conservatory in *Misalliance*, the escapade here is actively pursued by the patient, who steals her own pearls and splits the profits with the burglar. But the burglar is really Aubrey, a former airman and army chaplain; the nurse, his ex-lover. They enrol the patient as their slave while passing themselves off in the desert as a gentleman and a countess. Here they encounter a colonel who lives only for watercolours charged with rescuing the abducted girl and suppressing brigandage, and a Ross-like private who has resigned several commissions and delivers confusing messages on a motorcycle.

The recollection of war is what binds the characters in a maelstrom of discussion covering sex, liberty, parents, religious education, militarism and pacifism. David Beames, a compulsive preacher as Aubrey, suggests a sickness of soul while his father (Russell Enoch), emerging from the third act grotto, is a disillusioned atheist adrift in a shifting sea of dogma where Einstein and the mathematicians are usurping Newton and Darwin.

If only Shaw could have energised his wonderful vitality of expression with complementary farce. But with designer Paul Dart, director Alfreds makes a virtue of abstraction by freezing the play in a stylistic jelly and allowing the beat of argument and conversion to unthaw the actors' expression. Until you catch on to this, Sheila Reid's simpering mother and Sian Thomas's impatiently voluptuous nurse—both technically accomplished—are irritating.

The method, in a way, is to take Shaw on his surface terms and not to humanise the puppets. Miss Thomas in particular pursues this line with Nurse Sweetie Simpkins, squeezing her impatient voluptuary act to the limits as the phoney Countess, flashing thighs and cracking a French accent to devastating effect, only to end up with a sermonising sergeant who quotes the Bible and Bunyan at her.

The sergeant and Aubrey elaborate on the higher and lower centres of man, his mind and his body, as differentiated by D. H. Lawrence. Just as Shaw never co-ordinated the two, so these curious mouthpieces of a post-war civilian ambivalence about pleasure are marooned in an escapist debating chamber.

The world they inhabit is a cut-out of their own making, Paul Dart's standing flats resembling dress patterns stuck on cardboard, the undefined desert and philosophical grotto suggesting perhaps not Shaw's required Ibsenite scenic progression, but lending a startling visual energy.

The beautiful costumes in bright colours and impeccable khaki, compensate in part for Shaw's unapologetically static but compulsive theatrical confection. I am beginning much to prefer this Shaw to the cut and dried moralising craftsman of the more popular plays.

Tristram Shandy/Oxford

Martin Hoyle

University Theatre is the latest cause to be lost in Oxford. Government cuts in funding demand the loss of about 100 academic posts over the next four years, and the University's annual subsidy to the Playhouse is the equivalent of ten. The great student tradition, epitomised by OUDS, *may continue*, but the prospect for professional theatre is uncertain.

The present incumbents of the Playhouse are anyway funded primarily as a touring company, and the 1986-87 season sees or has seen them take their wares from Tel-Aviv to Taunton, Elsinore to Bury St Edmunds. Their parting next summer from the official "University Theatre" (a status that dates only from 1960) occasions sorrow slightly sweeter than is seemly, to judge by this good-natured but diffuse and curiously unfocused adaptation of Laurence Sterne's roving narrative.

Michael Holt's jolly composite of a set contains hints of a garden, a clock, a tilted ramp for the parlour (the goblets on the table keep falling over), the sash window that nearly castrates the infant hero and a splendid four-poster—actually three—on which the narrator is effortfully begotten (behind mercifully closed curtains).

"Irresponsible," "nasty" and "trifling" in Leavis's notorious verdict, the piece emerges in Peter Buckman's adaptation as an Ealing comedy with naughty, but not terribly naughty, bits added on. Lovable eccentricity is the order of the day with that gratefully depicted sexlessness that is such a reassuring part of British humour. At first following the book's cheerfully wayward distribution of the action — the first half ends with Tristram's birth — the play finally jerks its disjointed and bitty way to an arbitrary conclusion.

Michael Turner

David Mallinson's narrating Tristram was not alone in uncertainty over his lines, but as his was the lion's share his fluffs showed up more. Mr Mallinson is a pleasant and intelligent actor and presumably we must blame Richard Williams's direction for his apparent inability to do more than hold out his arms appealingly to the audience and make desperate windscreen-wiper movements with his hand. The enterprise has a slightly under-prepared look, though both Michael Turner's Shandy senior and Donald Pelamear's Uncle Toby give fleeting indications of the wit and emphasis that could result from less broken rhythms. Jane Lowe doubles Mrs Shandy and Widow Wadman, Jim McManus goes through the motions in a multitude of roles including Trim and Parson Yorick — all rather sketchy, though his Doctor Slop has a welcome touch of porcine Rowlandson grotesquerie.

Iolanthe/Liverpool

Max Loppert

On to the Liverpool Empire, where Scottish Opera is this week in state, performing Bizet, Strauss and G&S. The theatre is an acoustical nightmare: it's hard for the audience to feel contact with the stage and (no doubt) harder still for orchestra and singers to keep together — at Wednesday's *Iolanthe* under Wyn Davies, ensemble was continually at risk. Despite this the new production by Keith Warner made a generally bright and cheerful impression, so clearly it is strong enough to survive whatever theatrical hazards lie in wait during the current company tour.

This is a bouncy, busy *Iolanthe*. A basic image — of fairies and peers constantly popping in and out of drawers and cupboards — underlies its scenic method. Wherein exactly lies the appropriateness of all this to Gilbert's comic lampooning is never made wholly clear, but it does allow a string of sight-gags playing sleight-of-hand tricks with late-Victoriana which kept the Liverpool audience amused (a Knowsley North joke was well timed and much appreciated). It is a production of keenly drilled motions; the liveliness is certainly preferable to the stodge of G&S traditional routine, as is the elegance of Marie-Jeanne Lecca's designs.

But after a while the spectator begins to long for refreshing intervals of well-aimed dramatic stillness so that the better parts of the text can make their points unaided; and in the absence of any grandly imposing comic personalities in the cast it does seem as though choreography has taken over the duties that should properly belong to the leading players.

Gillian Knight (who used to take the title role at Sadler's Wells) is the Queen of the Fairies, and Thomas Hemsley is the Lord Chancellor. Both are practised stage artists, both are affably humorous and never dull, both sing with greater musicianship than audiences generally expect in this repertory (the Queen's amorous dove song was most beautifully phrased). But neither really commands the stage with the necessary larger-than-life gusto. Of the two leading peers, Hugh Hetherington and Eric Roberts, much the same can be said; Stephen Richardson's Private Willis is promising, though he needs to project his words still more forcefully.

All could take a lesson in projection from the Strephon of Omar Ebrahim, who swaggers about the stage in high style and who sends the spoken dialogue into the theatre with a flourish: he also sings most attractively, and the combination with Patricia O'Neill's delectable Phyllis is altogether a happy one. Christina Botes is delicate, a touch too reticent, as Iolanthe. Despite the disadvantages of the theatre Mr Davies and the orchestra let us hear what a beguiling score this is, and how lightly and pointedly varied in detail. For a modern-day staging this *Iolanthe* stays remarkably true to the basics of the text (more so than some other G&S productions I could name). All it now wants is bolder, bigger characters in the foreground.

Royal Gala/RCM

Rodney Milnes

The new Britten Theatre at the Royal College of Music, opened by the Queen on Wednesday night, was described by Colin Amery on Monday, and experience of the opening gala confirmed that it is a little gem —intimate without being claustrophobic, with ideal stage/auditorium relationship, a generous pit, and clear, very immediate yet unhectoring acoustics. It is a valuable addition to London's college theatres.

The evening opened, appropriately enough, with a well disciplined account of Britten's overture "*The Building of the House*" and continued with operatic extracts sung by four distinguished ex-students. Anne Evans' radiant singing of Elisabeth's Greeting from *Tannhäuser*, crowned with a rafter-raising top B, proved that the acoustics can take anything, and Mozart (Stafford Dean singing "Non piu andrai") was equally clear.

Further evidence of the college's eminence as a training ground was provided by Valerie Masterson, inimitably poised in "Depuis le jour" (a touch risqué for such an occasion?) and looking stunning, and by Sarah Walker, spinning a perfectly moulded line in Saint-Saëns's "Amour, viens aider" and supplying a touch of danger with it. In these items the college Symphony Orchestra under James Lockhart played brilliantly-daring (and in unison) string portamentos and wonderfully warm wind tone.

All this was a challenge to today's students in the third act of Britten's *A Midsummer Night's Dream*, directed by Anthony Besch and set by Peter Rice in 19th-century Greece—a challenge only partly met due, perhaps, to the auspiciousness of the occasion. Too many of the young voices and personalities failed to project strongly enough, though there were notable exceptions in Gerald Finley's full-toned, mercifully restrained Bottom (one who took the play with deadly, and hence hilarious, earnestness) and in Linda Clemens's bright and confident Tytania.

Marc Thompson's moustachioed Flute and Guy Harbottle's Quince also made their mark in a rather blatant staging of *Pyramus*.

Sleeping Beauty/Covent Garden

Clement Crisp

As a pinnacle of balletic experience, a summation of what academic purity can mean in dance, *The Sleeping Beauty* offers immense challenges, and immense rewards, to its central figure. Aurora allows a variety of interpretation, from readings that rely upon the ultra-correct enunciation of its text to those that seek to charm with every kind of winning way. Cynthia Harvey, making her Opera House debut in the role on Wednesday night, takes the first course, presenting us with a pristine and immaculate account of the role.

But unlike such "pure" Auroras as Irina Kolpakova who, with the Kirov Ballet, could rely upon exquisite nobility of schooling to sustain the dance in flawless style, Miss Harvey provides a fine-drawn and beautifully mannered outline which experience will teach her how to colour and fill out with more emotional incident.

This is not to underestimate the quality of this initial encounter with the part. There was a great deal to praise, not simply in the matter of mastery of the ballet's formal demands, but in the already attractive nuances of *épaulement* which give such richness to her upper torso in pose and in movement.

There remains to be found some mental image of the ballet which will bring Miss Harvey's excellence into bright focus. What now looks correct and decently proper—the last act pas de deux springs to mind—will surely with familiarity acquire that dignity which is central to Aurora's dances, and also that freer treatment of phrasing which made her Vision scene solo, for me, the evening's best and most beguiling sequence.

A first appearance in such a ballet is inevitably fraught: that Miss Harvey looked so accomplished is tribute to her very evident gifts of technical grace. We have much to look forward to from her greater acquaintance with the role.

For the rest, Jay Jolley was an attentive Florimund, and it is good to see the prologue's fairies cast from the upper echelons of the company principals—nothing less than the best is permissible in *Beauty*.

Arts Week

Continued from Page 19

Exhibitions

LONDON

The Royal Academy: Je Suis le Cahier – the Sketchbooks of Picasso. It is in an artist's sketchbooks and notebooks, even more than in his drawings, that he demonstrates the true nature of his ideas. Without thought of any public role or statement, with no reason to think anyone will see his work, he is free to observe and work on variations upon his theme entirely as he chooses. When the artist is a very great one the creative discovery is quite simply enthralling. Picasso left some 175 sketchbooks from the mid-1890s to the late 1960s, until now never shown in public. Organised by the Pace Gallery of New York and sent on tour by American Express, it contains work from 45 of the books. Ends Nov 19.

PARIS

Esteve: After important exhibitions in Germany, Switzerland and Scandinavia, Paris in turn honours the abstract French artist born in 1904. The retrospective consists of 116 paintings, 50 watercolours, nearly as many drawings, some collages and tapestries and shows Esteve's development. Influenced at first by Cubism and fascinated by Cézanne, he continues obstinately on his own solitary road until he achieves an equilibrium between a rigorous composition and an explosion of colours. Grand Palais, Closed Tue, Ends Jan 12 (4256 0924).

Francois Boucher: the 86 paintings and 25 drawings of his first major retrospective re-create the pastel-coloured world he peopled with voluptuous goddesses and shepherds. Premier Peintre du Roi, a favourite and friend of Madame de Pompadour. Boucher personified the lighthearted charm and seduction of the Louis XVth Period. His pastoral and mythological scenes reproduced by engravings, tapestries and on Sèvres porcelain spread the influence of French court art all over Europe. Grand Palais, closed Tue, Ends Jan 5th (4289 5410).

Les Prix de Rome: The exhibition consists of paintings which won the much-coveted stay in Rome for the laureats from 1797 to 1863. The uplifting subjects from mythology or the Bible, the noble sentiments, melodramatic gestures and perfect workmanship crowned in the prestigious yearly competition provide a unique panorama of French academic art. Ecole Nationale des Beaux Arts, 11 Quai Malaquais, closed Tue, ends Dec 14. (4230 3457).

Paris Abstrait, 1945-1955: Magnelli's cut-out reminiscent of Braque, a powerful Hartung with his large black strokes against a beige background, Esteve's colourful puzzleand Mathieux's ink-black splotches and smears are glorying in their abstraction. Except for de Stael, whose flowers in dense, dark colours are lit up by orange and mauve. Galerie Natalie Seroussi, 34 rue de Seine. Ends Dec 15. (4256 0924).

WEST GERMANY

Cologne, Wallraf Richartz Museum, Museum Ludwig. Bischofsgartenstraße 1: The new museum, built by the German architects Busmann and Haberer, will open this week. The initiative for the museum came from Peter Ludwig, one of the leading German collectors of Modern Art, who has donated about 300 pieces. The museum is devoted to 20th century art: French, German and American painting, including abstract art after 1945, and pop art. Also German art from the 60s to the present. Ends Nov 30. The museum is showing an interesting exhibition of 19th century German and French paintings: romantic, realist and impressionist, with works by Caspar David Friedrich, Adolph von Menzel, Wilhelm Leibl, Max Liebermann, Max Slevogt and Lovis Corinth, Renoir, Monet, Sisley, Degas, Pissarro and Manet. Pictures by James Ensor, Pierre Bonnard and Edouard Vuillard show the way to the 20th century. Ends Nov 16.

München, Neue Pinakothek: King Ludwig I as a collector: A photographic exhibition commemorating the 200th anniversary of his birth. Ends Nov 23.

Hamburg, Kunstverein Ferdinandstor 1: Frank Auerbach. A series of paintings and drawings for which British artist Frank Auerbach won the Golden Lion award at the Venice Biennale this year. Thirteen of Auerbach's earlier works will also be on show to give a view of the artist's development and tradition over 30 years. Ends Nov. 30.

ITALY

Rome: Rome has excelled itself with four highly enjoyable and beautifully presented exhibitions. At the Galleria Nazionale d'Arte Moderna (Viale delle Belle Arti), the rapt, pallid northern beauties of Edward Burne-Jones are drawing surprisingly large crowds. At Palazzo Braschi (Piazza San Pantaleo) Paestum and the Doric Revival – paintings, drawings, engravings and scale models from the years immediately following the rediscovery of the Greek temples in 1750, and its effect on the architecture of such distant cities as Boston and Baltimore, as well as numerous European capitals. At the Braccio di Carlo Magno (Piazza San Pietro) exquisite Mosaici Minuti made in Rome in the late 18th and early 19th centuries, and bought by travellers unable to afford a Canaletto, and at Villa la Farnesina (Via della Lungara 230) a delightful series of engravings on the works of Annibale Carracci mostly inspired by his frescoes in Palazzo Farnese (now the French Embassy in Rome) which fascinated engravers for two centuries after his death in 1609. (Burne-Jones and Paestum and the Doric Revival run until Nov 23; Roman Mosaics and Carracci until Nov 30.

Venice: Palazzo Ducale: China In Venice: Chinese Civilisation from the Han Dynasty to Marco Polo (25–1279 AD): 150 objects, including silks, brocades, jewellery, terracotta figures, glass and porcelain lent by the Peking Museum. Many result from recent excavation, and most have never been out of China. The exhibition covers the main period of Chinese art, and the objects found in tombs, buried with the owner for his use in the hereafter, shed a fascinating light on life in the period. Ends March 1987.

Rome: Palazzo dei Conservatori: Campidoglio: 74 sculptures by Degas – almost all from the San Paolo Museum in Brazil. The sculptures were cast in bronze between 1919 and 1922 by Degas's artist friend, Bartholome, from wax models left in the studio after Degas's death in 1917. Ends Nov 25.

Florence: Palazzo Medici-Riccardi: Masterpieces of German Expressionism (1905-1920): Works from private and public collections give a history of what has become a highly fashionable movement with works by Kandinsky, Kirchner, Schiele, Nolde, Klee, and the appalling visions of Otto Dix. Ends Nov 30.

Rome: Museo Napoleonico, via Zanardelli 1: Leopold Robert: Delightful exhibition of scenes of 19th century Roman street and convent life, painted with an ingenious eye and an unremittingly grand manner. The young Swiss artist came to Rome, took second place in the Prix du Rome of 1814. Suffered an unrequited passion for Princess Carlotta Bonaparte and died in Italy in 1835. Ends Nov 16.

NETHERLANDS

Laren, Singer Museum. Recent graphics by more than 100 Dutch artists. Ends Dec 14.

Amsterdam, Historical Museum. The Taste of the Elite focuses on Amsterdam's rich merchant class and its influence on art and culture as part of the celebration of the 16th century currently taking place in seven Dutch museums. Ends Dec 7.

SPAIN

Madrid: Julio Gonzalez (1876-1942). Spanish cubist sculptor considered with Picasso the top exponent of this movement; 50 sculptures and 70 drawings on loan by the Ivam, Valencia's modern art museum. Ends Dec 30. Also Miro sculptures (1893-1983): 100 sculptures and 140 drawings on loan by Moma, Georges Pompidou, Miro Foundation and private collections offer a vision of Miro's sculptures of 1930-1970 of which we know little in Spain. Ends Jan 20. Both at Centro de Arte Reina Sofia, Santa Isabel 2. Open Tue to Sun: 10.00-21.00. Closed Mondays.

VIENNA

Dian – a submerged kingdom of China: According to the organisers this is the first exhibition in the west of treasures from the Dian Kingdom, which existed more than 2,000 years ago in south-west China. Unusual and spectacular gilded bronzes were discovered only 30 years ago in Dian burial grounds. Exhibits include dramatic groups of men and animals, showing scenes of war, dance and celebration. Also on show are weapons, tools, musical instruments, agricultural and weaving equipment, bronze drums and jewel boxes from what must have been a vigorous culture. Museum of Mankind, Neue Hofburg. Ends Nov 23.

NEW YORK

Whitney Museum: A retrospective of 168 of John Singer Sargent's paintings, watercolours and drawings provides the first major overview of the artist's work in 60 years, with many of his famous full-length portraits, and landscapes and informal drawings. Ends Jan 4.

WASHINGTON

Hirshhorn Museum: More than 130 paintings, sculptures and drawings from a 5,800 donation by the museum's founder Joseph H. Hirshhorn on his death go on view with works by major contemporary artists including Illem Kooning, Arshile Gorky, Frank Stella and Henry Moore. Ends Nov 16.

CHICAGO

Chicago Historical Society: Louis Sullivan, a seminal figure in American architecture, is celebrated in an exhibit in the city he made architecturally famous with newly made models of his buildings along with drawings, sketches and building fragments emphasising his use of ornament. Ends Dec 31.

TOKYO

El Greco: 60 oil paintings, part of the Matsukata collection. National Museum of Western Art, Ueno Park, one of Tokyo's few large parks. Several national museums and Tokyo's main concert hall (Tokyo Bunka Kaikan) are in the vicinity. A day's museum-hopping can be pleasantly divided by refreshment at one of the park restaurants. Ends Dec 14. Closed Mons.

Saleroom/Susan Moore

Getty beats the gong

One of Britain's Dambusters is to keep his medals after all. Flt-Lieut. E. B. Chandler, who won the RAF's top medal twice over, took his DFC and Bar, Russian Medal of Valour and seven other campaign medals to Sotheby's to sell them in aid of the projected Dam Busters Memorial. It is to be built at Woodhall Spa, Lincolnshire, and unveiled on the anniversary of the Dam Busters' raid in May next year.

Sotheby's announced during the sale yesterday that Mr J. Paul Getty Jr has offered to meet the entire cost of the memorial which will commemorate the squadron's 199 men killed in action. Flt-Lieut Chandler's medals were withdrawn.

Carved with hieroglyphs, incised with trefoils and supported on long-horned animal-headed legs, a giltwood daybed in the Thebian style—an oddly elongated creature—proved the most exotic item offered at Christie's furniture sale yesterday. It was also well received, selling for £13,200. A handsome early Georgian burr-walnut chest more than doubled its estimate by selling at £15,400 to William Bedford Antiques; an even greater success was a George II giltwood overmantel which made £12,100.

Top lot, however, was an 18th century Dutch screen, painted with exotic birds and flowering foliage, which went to a private bidder for £20,900. It was one of a group of items belonging to Lady Rupert Nevill from Horsted Place in Sussex. Norman Adams Ltd paid £19,800 for a George III mahogony bookcase (estimate £6,000-£8,000), while another London dealer, Piers von Westenholz, acquired an elegantly simple pair of George III serpentine serving tables for £12,100.

Nineteenth century furniture made for the house, however, fared less well. An oak cabinet with linenfold panels made by John Webb probably to the designs of A. W. N. Pugin (Webb's bill is for £28) realised £2,640 against an estimate of £3-4,000).

The sale totalled £439,571 with 7 per cent unsold.

When the diarist Joseph Farington saw Henry Bone's miniature after Titian *Bacchus and Ariadne* in 1811 the artist told him he would not sell it for less than 2,000 guineas. Yesterday at Sotheby's it realised £14,850. This well-documented and well-known enamel plaque was bought by London dealer D. Englefield. In the same sale a large pair of French ivory figures representing dawn and dusk, of around 1900, sold to the Sanglo Corporation of New Jersey for £23,200.

A Moorish Sevres tea and coffee service of around 1840, complete with an octagonal centrepiece and each piece double walled and variously pierced, was repatriated by selling to the Musee Nationale for £11,000.

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Secretaries
per R. S. Edmunds
Divisional Secretary

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Johannesburg
November 7 1986

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By order of the board
ANGLO AMERICAN CORPORATION OF SOUTH AFRICA LIMITED
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per H. E. Phillips
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Johannesburg
November 7 1986

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NOTICE IS HEREBY GIVEN that the eleventh income distribution (including equalisation where applicable) for the period 26th September, 1985 to 24th September, 1986 totalled U.S. 45.88 cents GROSS per share. Certain withholding taxes outside Jersey have been deducted together with the management fee.

COUPON NO. 11 at the rate of U.S. 20.07 cents per share is payable on and after the 14th November, 1986.

Coupons should be detached from Share Certificates and presented for payment at the office or any of the Paying Agents named below and left for three days for examination. Coupon listing forms may be obtained from the Paying Agents. COPIES OF THE REPORT for the period 26th September, 1985 to 24th September, 1986 will be available to shareholders at the offices named below.

The Hongkong and Shanghai Banking Corporation, P.O. Box 59, Bandar Seri Begawan, BRUNEI.

Barclaytrust International Ltd., P.O. Box 82, 39/41 Broad Street, St. Helier, Jersey, CHANNEL ISLANDS.

Barclays Bank (Hong Kong) Nominees Ltd., G.P.O. Box No. 295, HONG KONG.

*Bank Bumi Daya, Jalan Juanda No. 20, Jakarta, INDONESIA.

Banque Internationale à Luxembourg S.A., Boite Postale 2205, 2 Boulevard Royal, LUXEMBOURG.

Mid-Med Bank Limited, Savings Office, 233 Republic Street, Valletta, MALTA.

Bank of Nauru, P.O. Box 289, NAURU.

Barclays Kol & Co. N.V., Postbus 160, 1000 AD, Amsterdam-C, NETHERLANDS.

Australia & New Zealand Banking Group Limited, P.O. Box 1096, Wellington, NEW ZEALAND.

Papua New Guinea Banking Corporation, P.O. Box 78, Port Moresby PAPUA NEW GUINEA.

Barclays Bank S.A., P.O. Box 135, CH-1211 Geneva 3, SWITZERLAND.

*Barclays Bank PLC, Stock Exchange Services Dept., Second Floor, 54 Lombard Street, London EC3P 3AH, UNITED KINGDOM.

*CAUTION in certain circumstances U.K. Tax may be deducted by this paying agent only.

BARCLAYS

EUROPEAN ECONOMIC COMMUNITY
$US 26.000.000
13,25 % 1980/1995

We inform the bondholders that the redemption instalment of $US 2.600.000,- nominal due on December 15, 1986 has been satisfied by a drawing on October 9, 1986, in Luxembourg.

The bonds will be reimbursed at par on December 15, 1986, coupon due on December 15, 1987 and following attached, according to the modalities of payment on the bonds.

The numbers of such drawn bonds are as follows:

From 13949 to 16548

Amount outstanding after December 15, 1986: $US 23.400.000,-.

THE PRINCIPAL PAYING AGENT
SOCIETE GENERALE ALSACIENNE DE BANQUE
15, Avenue Emile Reuter
LUXEMBOURG

ROLINCO

ROLINCO N.V.

ANNUAL GENERAL MEETING OF SHAREHOLDERS

to be held on Wednesday, 26th November 1986, at the Hilton Hotel, Weena, Rotterdam, at 2.30 p.m.

AGENDA

1. Opening.
2. To receive and adopt the Report of the Managing Directors for the financial year 1985/1986.
3. To receive and adopt the Annual Accounts for the financial year 1985/1986.
4. To determine the appropriation of the profit.
5. To compose the Board of Supervisory Directors. Mr H. H. Nauta will retire by rotation. It will be proposed to re-elect him.
6. To compose the Board of Managing Directors. It will be proposed to appoint Mr. P. Korteweg a managing director of the company.
7. Any other business.

Copies of the full agenda and of the Annual Report for 1985/1986 can be obtained from National Westminster Bank PLC, Stock Office Services, 3rd Floor, 20 Old Broad Street, London EC2N 1EJ.

Holders of Share Warrants to Bearer desirous of attending or being represented at the Meeting, should lodge their Share Warrants by hand (postal deliveries will not be accepted for voting purposes) with the National Westminster Bank PLC, Stock Office Services, 3rd Floor, 20 Old Broad Street, London EC2N 1EJ (between the hours of 10 a.m. and 2 p.m.) in exchange for a receipt, not later than Wednesday, *19th November 1986.*

Beneficial owners whose Share Warrants are presently deposited with a Bank must obtain a Certificate of Deposit signed by the Bank as evidence that such Bank is holding the Share Warrants. The Certificate of Deposit must be lodged against receipt, by that Bank, with the National Westminster Bank PLC, in accordance with the requirements stated above.

The receipt for the Share Warrants or Certificate of Deposit will constitute evidence of a shareholder's entitlement to attend and vote at the Meeting and should be presented at the door of the Meeting Hall. If a holder desires to appoint a proxy, who need not be a member of the Company, to attend and vote in his stead, a form of proxy may be obtained from the National Westminster Bank PLC as above and this form of proxy must be presented at the door of the Meeting Hall together with the receipt for the Share Warrants or Certificate of Deposit.

Beneficial owners of Sub-share Certificates registered in the name of National Provincial Bank (Nominees) Limited desirous of attending or being represented at the Meeting must obtain a receipt or Certificate of Deposit in the same way as holders of Share Warrants to Bearer. If they desire to attend the Meeting in person or to be represented they must obtain a form of proxy signed by National Provincial Bank (Nominees) Limited, which form must be presented at the door of the Meeting Hall together with the receipt exchanged for the Sub-share Certificate or Certificate of Deposit.

Beneficial owners of Sub-shares registered in any name other than that of National Provincial Bank (Nominees) Limited, holders of Registered Full Shares and Shareholders who maintain a Shareholder's Account with the Company wishing to attend and vote at the Meeting or to appoint a proxy to attend and vote in their stead, must signify their intention in writing to the Secretary, Rolinco N.V., Heer Bokelweg 133, 3032 AD, Rotterdam, Netherlands, to arrive not later than Wednesday, 19th November 1986.

Service contracts are not entered into with the Directors, who hold office in accordance with the Articles of Association.

BY ORDER OF THE MANAGEMENT

Dated this 7th day of November 1986.
P.O. Box 973
Rotterdam

METROPOLITAN ESTATE AND PROPERTY INTERNATIONAL N.V.

US$10,000,000 8¾% LOAN 1986

FINAL REDEMPTION

NOTICE IS HEREBY GIVEN that all the outstanding Bonds of the above Loan, amounting to US$1,000,000 nominal capital, will be redeemed at par on 1st December 1986, from which date all interest thereon will cease.

These Bonds may be presented at the offices of the paying agents (set out on the reverse of the coupon) in the manner specified in Condition 7 of the Terms and Conditions of the Loan printed on the Bonds, for repayment of the principal and for payment of interest due against Coupon No. 10 dated 1st December 1986.

Principal Paying Agent:
N M Rothschild & Sons Limited
New Court
St. Swithin's Lane
London EC4P 4DU

7th November 1986.

SHELL INTERNATIONAL FINANCE N.V.

US$50,000,000 8% LOAN 1986

FINAL REDEMPTION

NOTICE IS HEREBY GIVEN that all the outstanding Bonds of the above Loan, amounting to US$25,900,000 nominal capital, will be redeemed at par on 1st December 1986, from which date all interest thereon will cease.

These Bonds may be presented at the offices of the paying agents (set out on the reverse of the coupon) in the manner specified in Condition 6 of the Terms and Conditions of the Loan printed on the Bonds, for repayment of the principal and for payment of interest due against Coupon No. 15 dated 1st December 1986.

Principal Paying Agent:
N M Rothschild & Sons Limited
New Court
St. Swithin's Lane
London EC4P 4DU

7th November 1986.

International Property

THE COMMERCIAL COMPANY OF SALONICA PLC.

NOTICE IS HEREBY GIVEN that the Seventy-fifth ANNUAL MEETING of the Company will be held at the Company's offices in Athens (Greece), Kerkyras Street 49 on Friday the 12th day of December, 1986 at 10:00 a.m. for the following purposes:

(1) To receive the Report of the Directors and the audited accounts of the Company for the financial year ended 31st December 1985.

(2) To propose the following resolution for the re-election of Directors of which special notice has been given to the Company in accordance with sections 42 and 185 of the Companies Act 1948: that Mrs. Charlotte J. Saporta and Mr. Dimitrios P. Spillacos who has attained the age of 70 years be re-elected as directors of the Company.

(3) To approve the re-appointment of Mr. Antonios F. Coomboulis who offers himself for re-election as a director of the Company.

(4) To approve the re-appointment of Hardy & Co. as auditors of the Company.

(5) To approve that the remuneration of the Auditors shall be fixed by the Board and to determine the remuneration of the Directors.

In accordance with Article 21 of the Articles of Association, Shareholders desiring to be present or to vote at the meeting must deposit their shares at least five days before the Meeting at the offices of the Company at Thessaloniki, or the Company's office in London, Messrs. Hardy & Co., 166 Streatham Hill, London SW2 4RU or at Pierson, Heldring & Pierson, Amsterdam.

Any member of the Company entitled to attend and vote at the Meeting may appoint another person (member of the Company or not) as his proxy to attend and vote instead of him.

Salonica, October 24th 1986
By Order of the Board
CHARLOTTE J. SAPORTA
Director

NOTICE OF PREPAYMENT

Kingdom of Spain
US$ 100,000,000
Floating Rate Notes due 2000

In accordance with paragraph "Redemption at the Option of Spain" of the terms and conditions of the Notes, notice is hereby given that Spain will prepay at par all of the above-mentioned Notes on the Interest Payment Date falling on December 17, 1986.

Payment of interest due on December 17, 1986 and reimbursement of principal will be made in accordance with the terms and conditions of the Notes.

Interest will cease to accrue on Notes as from December 17, 1986.

Luxembourg, November 7, 1986.

The Fiscal Agent
KREDIETBANK
S.A. LUXEMBOURGEOISE

Legal Notice

IN THE MATTER OF
THE COMPANIES ACT, 1985
AND
TOWERBELL (ROCKNEY) LIMITED
(In Creditors' Voluntary Liquidation)

NOTICE IS HEREBY GIVEN that I, John William Papi, FIPA, of Messrs. J. W. Papi & Co., One Maddock Street, London W1R 9WA, was duly appointed Liquidator of the above company on 13th October 1986. All debts and claims should be sent to me at the above address.

J. W. PAPI, FIPA,
Liquidator.

Lectures

UNIVERSITY OF LONDON. The 1986 Stamp Memorial Lecture entitled: "MARKET FORCES" will be given by Sir Kit McMahon (Deputy Chairman and Group Chief Executive, Midland Bank Group) at 6 p.m. on Thursday, 20 November 1986 in the Beveridge Hall at the University of London, Senate House, Malet Street, London WC1E 7HU. ADMISSION FREE, WITHOUT TICKET.

FINANCIAL TIMES
BRACKEN HOUSE, CANNON STREET, LONDON EC4P 4BY
Telegrams: Finantimo, London PS4. Telex: 8954871
Telephone: 01-248 8000

Friday November 7 1986

Mr Lawson's electoral sums

ST AUGUSTINE, who prayed "Make me virtuous—but not yet," would have sympathised. After the ostentatious hair shirt of the last white paper on public spending, we now have a much more candid admission from the Chancellor: it will continue to grow, fast enough at least to meet some of the more insistent demands for publicly-provided services. Whether it will grow at the modest 1½ per cent real rate now projected is unfortunately another question.

Although some of the more transparent items of window-dressing have now been removed, the plans for next year allow suspiciously little room for contingencies; the sharply reduced reserve, and the experience of recent years, suggest that some overshoot of the revised figures is still likely. The market, which makes its own projections of public finances, showed in its initial reaction that the Chancellor's announcement was only mildly worse than was already discounted.

Political virtue

What is very difficult to assess at this stage, and is likely to remain difficult until the much more detailed white paper on public spending appears next year, is how far the larger totals for public spending represent policy changes, and how far they are simply presentational. At one extreme, it is clear that most of the large rise of local authority spending is presentational; as the Chancellor explained, we now have an honest estimate in place of a conventional assumption of unchanged real spending. Only a quarter or less of the £4bn-odd involved reflects policy choices.

With other departments, the figures are harder to read. The local authority allocation appears to include a large sum for the substantial pay award for teachers. However, there is no explicit assumption about pay in general, which means that whereas in previous years analysts could — and did — make allowance for unrealistically low pay assumptions, they are now reduced to guesswork. If there is still an unrealistic pay assumption concealed in the figures, the overshoot could still be quite large, despite the increased planning total.

There are two reasons for giving the Chancellor the benefit of some of these doubts. The first is that his estimate of revenue and expenditure in the current year suggests that control is now much more effective than it has been in the past, or than some market estimates heve suggested.

The other is political. The Government has clearly been listening to the messages from the opinion polls and from its own grass roots: public expenditure is now popular egain. The fact thet epparently realistic figures for local government and social security expenditure have now been published suggests that he is to some extent making e political virtue out of necessity.

Indeed, the Autumn Statement as e whole will certainly strengthen the expectation that a general election may now be a matter of months away. The spending increases seem to ha tactical rather than strategic — a combination of improvements in the more visible services and pay improvements which will soften spending disciplines just where their effects are potentially most embarrassing, in hospital queues, obvious disrepair or disruptive disputes.

If this means that the Government has chosen to ease spending disciplines rather than cut taxes, it may well have made a shrewd political choice and also one which we would fevour on economic grounds. At a tima when regional disparities are sharper than at any time since the Second World War, and when personal incomes are rising rapidly, this is the rational course.

Chastened tone

However, it is still perfectly possible that the Government is hoping to combine some relaxation of spending discipline with tax cuts. This could be made to look consistent with its borrowing objectives with the aid of the thin contingency reserve already published, some wishful thinking on pay, and perhaps a further increase in the projected results of privatisation.

This would be fairly normal electioneering, but it would be unlikely to command much market support, and would probably mean that next year's Autumn Statement would be distinctly chastened in tone. While the Chancellor did not yesterday give the past (and always over-optimistic) estimate of the "fiscal adjustment"—his hoped-for room for manoeuvre —others can make their own and conclude that he has already used it.

Monopoly risks in sugar

BRITAIN'S Monopolies and Mergers Commission is feced with some unenviable decisions as it races to complete its report on the rival attempts to acquire British Sugar Corporation, tha beet monopoly, by Ferruzzi of Italy and Tete & Lyle of the UK.

Reviewing sugar for the second time in just over five years, it cannot but conclude once again that the British industry is in a pretty intractable mess. The Commission's dilemma lies in considering whether either of the proposed bids for BSC, a subsidiary of the S & W Berisford commodity trading group, is likely to make that mess substantially worse.

Moreover, its work is complicated by the fact that, although its ostensible subject is British Sugar, the real problems of the industry raise much wider questions—about the long-term future of Tate & Lyle as a cane refiner in Britain, ebout farm and food policies in tha EEC, and about relations between Europe and sugar exporters in the developing world.

Poor returns

The immediate issue is competition in the UK market, which bas been surrounded by a tightening corset of regulations ever since Britain joined the EEC in 1973. Back in 1981, when it was investigeting Berisford's planned takeover of British Sugar, the Commission noted with concern that competition was already "very restricted." But to differing degrees, both current pitches for the company seem likely to limit the play of market forces still further.

Tate & Lyle wants to acquire British Sugar in order to stop the rot in its UK refining operations, which have been making increasingly poor returns in recent years—principally as a result of an in-built bias in the EEC system favouring beet sugar over cane and ensuring that Tate is a pricetaker rather than a price-setter.

Tata argues that combining the two companies would put an end to the damaging rivalry between beet and cane and ensure that Britain can fulfil its political obligation to import a fixed amount of sugar from African, Caribbean and Pacific countries. It says it would be prevented from exploiting its dominant position by competition from cheap sugar imported from the Continent. Bnt it is not et all clear that these are good enough reasons for the Commission to allow one company to gain control of 94 per cent of the market.

Ferruzzi, a privately owned agricultural conglomerate which is Italy's third largest company and which alreedy has substantial sugar interests in its home territory and in France, wants control of the British beet industry as well in order to gain access to another hig European market and to strengthen its voice in Brussels.

Yet success, whether in the form of a full takeover or e 70 per cent stake as is now being mooted, would give it a 22.5 per cent share of EEC sugar output. Ferruzzi would also have control of the two main markets in the Community with e sugar deficit — Italy and Britain — and of the market with the largest surplus, France.

By withholding Continental supplies, which are the principal source of what limited competition there is in Britain, it could thus exert a decisive upward pull on prices. Conversely, by swamping the market with French sugar it could deliver a knockout blow to Tate & Lyle.

Dominant player

For all these reasons, the Monopolies Commission ought to recommend a veto of both prospective owners of British Sugar. There is an obvious need for rationalisation in the European sugar industry as a whole, but that should not be engineered by increasing the dominance of the dominant pleyer and eliminating the remnants of competition.

Tate & Lyle, which in the UK is suffering the commercial consequences of ill-thought-out political decisions, may need some relief. But that should be achieved by action to ensure that it obtains its cane supplies at reasonabla prices, not by creating an even more unwieldy monopoly than already exists.

UK OIL SUPPLY INDUSTRY

The worst is yet to come

By Lucy Kellaway

THE OFFSHORE oil supply industry has started to play in deadly earnest a game of musical chairs. The hundreds of companies which serve the North Sea know that every time the music stops there will be fewer seats than the time before.

A handful — those with multiple difficulties — have already left the game. John Howard and Carronhall Engineering, both in receivership, had, respectively, to contend with a Middle East contract that had gone wrong and an expensive legal dispute.

But when ITM called in the receivers two weeks ago, there were no such extenuating circumstances. The company, which employs 700 people and which a year ago was making profits of £5m, was the first large, straightforward casualty of the recession in the North Sea. Margins in its fabrication division had collapsed, and with its fleet of vessels looking forward to unemployment, the company's financiers refused to put up additional funds.

ITM is likely to be the first in a great wave of failures, according to Mr David Montague-Smith, a consultant to the offshore industry. "Many of the companies still don't know whet bss hit them. Some think that because they have sold the Jaguar they will be all right," he says.

The collapse in the oil price is more serious for the supply companies than for the oil companies, many of which can offset their difficulties in exploration and production with fatter profits at the petrol pumps.

The oil companies have also cut their costs upstream by cancelling expansion plans in the North Sea, all of which makes life harder for the suppliers, who are now braced for the worst recession in their short lives.

It would be quite wrong, however, to suggest that work in the North Sea either has, or is about to, stop altogether. Much of the £6m which is still being spent every day in the North Sea is tied to existing production, and can be expected to continue at oil prices as low as $5 a barrel.

Furthermore, when the price collapsed nearly a year ago, much of the development work was already too far advanced to be cancelled, so some suppliers are still fairly busy. For this year as a whole new orders placed by the industry may be just 10 per cent lower than the £3.4bn spent last year, and even by 1988—forecast to be the worst year of recession—investment is not likely to fall below about £2.5bn.

But compared with what the oil companies had planned to spend this year—on which basis the supplies industry had continued to expand—the 1986 outcome for exploration will be down by more than one third.

Less than two years ago, Shell was confidently forecasting that about £60bn would be poured into new field developments in the North Sea by the end of the decade. The Royal Bank of Scotland now estimates the figure at about £28bn. A promised decade of growth seems to have vanished inside a few short months.

"We are an industry that has always looked upwards, and are now having to make a great psychological change," says Mr Ian Wood, chairman of John Wood, one of the largest independent oil supply companies.

Unfortunately, the needed adjustment is more than just psychological; and the industry, laden with spare capacity, is ill-equipped to cope with deep recession.

"Some rationalisation was long overdue before the oil price dropped," says Mr Derek Marnoch of the Aberdeen Chamber of Commerce. "During the boom tima a lot of people had rushed into the service industry, and margins ware already much redneed."

Overcapacity is at its worst among the owners of rigs, drillships, diving support vessels and almost anything else that floats.

Indeed, the image of oil rigs stacked along the coast at Aberdeen has become the symbol of the industry's problems. Half of the North Sea fleet is without work and has little prospect of finding any; while those with work are earning about $10,000 e day, only one tenth of the 1980 peak, and not nearly enough to cover overheads.

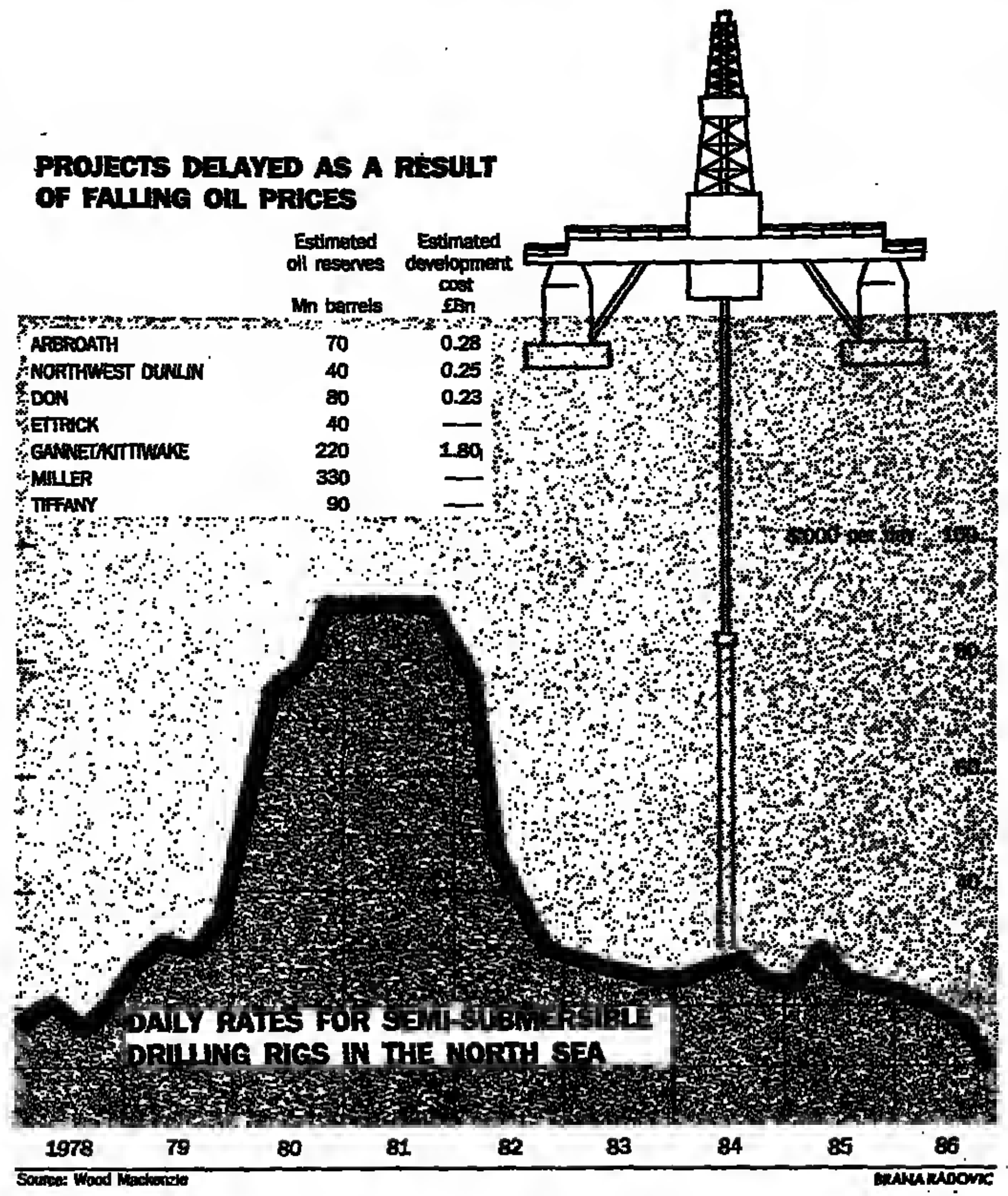
Because they are such small players in the rig business—less than two dozen of the world fleet of rigs are UK owned—British companies have escaped the horrors which heve caused several large US companies to file for bankruptcy. However, ITM illustrates the problems of the few small companies which do operate rigs.

A second area of dire overcapacity is in the fabrication yards which heve become a focus for concern about the health of the industry.

By now four or five big oil developments should have been out for tender. Bnt the prospect of a suh $20 oil price has caused all but one—the Shell/Esso Tern and Eider fields—to go into abeyance.

Competition for the small amount of work on offer is fierce. Yards are prepared to tender on a breakeven basis, hoping thet the contract will hring in related orders on which some profit may be possible. "A couple of years ago a 20,000 tonne jacket would have been considered common. Now we'd be pleased to get a 2,000 tonne one," says Mr Bill Shannon of Highlands Fabricators, one of the largest yards.

Mr Shannon says hluntly that the industry has "at least one and probably two big yards too many." Trafalgar House, which owns both the Scott Lithgow and RGC yards, takes an even grimmer view of things. Mr John Fletcher, director in charge of business development, argues that within e year only three of the 12 UK yards will remain. "There is going to be a bloodbath, and it is going to come sooner than people think," he says.



Source: Wood Mackenzie

Which survive depend not just on how the oil companies distribute the limited amount of work available, but on the patience of the parents of the yards. Most of these are financially strong companies like Trafalgar House and McDermott of the US which could in theory go on pouring cash into the yards waiting for a turnaround.

"Trafalgar, its eyes firmly fixed on a $30 oil price in the 1990s, says it takes a long-term view and plans to stick it out.

The survival of its Scott Lithgow yard was looking uncertain until this week, as its sole contract was the semi-submersible rig for Britoil, more than two years late and costing the yard dearly. But a new £12m contract from Cunard, another Trafalgar House subsidiary, may give it a breathing space. Prospects for Trafalgar House's other yard, RGC, are good: it has a comparatively heavy workload, including the mighty steel jacket for the Tern field.

Meanwhile, Kestrel Marine in Dundee and UIE on the Clyde look much less well placed, with order books which by next spring will be nearly empty.

Many of the British companies involved are bargaining on some retrenchment by the hig foreign gronps, which control at least half of tha offshore industry. Nearly all of the world's weighty oil engineering and construction gronps have eome presence in the North Sea, and until about a year ago were still expanding their UK bases.

The oil recession has now caused trouble for many of these companies at home — even the Blue Chip names like Franco-American Schlumberger are making losses — and may encourage some to cut their overseas operations.

However, so far the evidence for such e withdrawal is scarce. Only one foreign company — de Groot of the Netherlands — has retreated from its Aberdeen base.

For companies without the warmth of e parental balance sheet, low gearing is essential for survival. Wharton Williams, hitherto one of the industry's successes, is getting ready for two or three very difficult years in the hard-hit diving sector, hnt it is likely to pull through because its borrowings are very low.

The company has grown from nothing ten years ago into the third largest diving company in the world, with e turnover of about £70m.

Less secure companies are attempting to merge or be taken over. However, finding companies with both the desire and the cash to become offshore predators is not easy.

The few companies which are in a position to buy are being besieged with offers. John Wood, which has already hought two distressed US oil technology companies, said that within the space of one week it was approached hy five UK companies wanting to he taken over.

It is not just smaller companies which want to merge. Last month two major suppliers, Brown and Root of the US and Saipem of Italy, both subsidiaries of large foreign companies, started merger talks to cut overheads and reduce losses.

Some companies may be able to soften tha effect of recession by diverting their skills to other uses. Osprey Electronics has converted its popular underwater cameras, which have 70 per cent of the market in tha North Sea, for military and industrial use.

Such examples are not common. Fortunately, however, there are ereas within the oil industry where business is likely to remain brisk and margins unthreatened. There will be an eager market, for instance, for any new products which will help the industry reduce its costs.

Unfortunately, the UK industry has not excelled in this kind of technology. On the whole, UK companies have opted for relatively low technology "heat and beat" work.

Ironically, the biggest technological advances made by UK companies are in the area where there is least demand for such skills—in making equipment suitable for deep and difficult waters.

It seems the industry's survivors will fall into a few main categories. There will be those with rich and tenacious backers; independent companies with either strong balance sheets or low overheads; companies whose business is geared more to serving existing fields than to developing new ones; and those who can lead the technology game into devising cost-cutting solutions.

Among the others, there will be a wave of failures — something which is a great source of concern for the Government.

Indeed it is only in the past two years or so that the Government has adopted a vigorous policy towards the offshore suppliers, with the Offshore Supplies Office seeking to help UK companies towards e bigger share of tha market.

The collapse in the oil price has undone mnch of the effort, since most overseas oil markets are in as bad e shape as the North Sea.

The industry is clamouring for tax cuts to reflect tha lower level of activity in the North Sea, but the Government insists —with some reason—that there are no projects in the North See which, while attractive before tax, are made unprofitable by the tax regime.

The oil tax system was overhauled comprehensively three years ago, and most of the obvious changes, like making it possible to offset exploration costs against Petroleum Revenue Tax have already been made. Yesterday's announcement that Advance Petroleum Revenue Tax is to be repaid early will go some way towards relieving the industry's cash crisis, but will scarcely tip the scales to make postponed developments look attractive again. The only real measure which could is one the Government judges beyond its powers—a recovery in the oil price.

The graph accompanying Wednesday's Leader Page feature on poverty in Britain was incorrect. All figures should have been multiplied by 10. We apologise for the error.

Motor men drive British industry

Britain'e motor industry may not be doing too well, hut the managers it trained, particularly in the 1960s and early 70s, are now running e fair slice of the rest of British husiness.

Prompted by the appointment this week of Allen Sheppard (ex-Ford, Chrysler and BL) as chief executive of GrandMet, I compiled this—by no means exhsustive—list of graduates from what seems to have been one of the best of business schools.

An earlier Ford generation is still represented by Sir John Read, chairman of TSB, and Sir Terence Beckett, retiring director-general of the CBI.

But out of the same stable later came (in no particular order) Christopher Haskins of Northern Foods, Roland Jarvis of Low and Bonar, Jesse Hooper of Armstrong Equipment, H. G. Deville of Meyer International and Alexander Daly of GKN Sankey.

John McGrath, ex-Ford and BL, is managing director of Watney Mann and Truman. Michael Hodgkinson, another who worked for both Ford and BL, is now deputy to Clive Strowger (ex-BL), chief executive of Express Foods.

The roll of BL alumni includes George Turnbull at Inchcape, Michael Julien of Eurotunnel, David Abel of Suter, Derek Williams of Schweppes, Frank Andrew of Mallinson-Denny and Jeffrey Herbert of Charter Consolidated.

In addition, graduates of the motor industry are now the personnel directors of companies such as Thomas Cook, RTZ, Metal Box, Lloyds Bank and Bank of America.

Others have gone on to become the finance directors of Amstrad, Granada, Trusthouse Forte, Metal Box, Wimpey, and Westland.

"What we ere seeing now," says management consultant Denis Bexson (ex-Ford and BL —and shortly to join Guinness), "are the fruits of the 1960s boom in the motor industry when Ford and BL hired more than they needed of the brightest young talent around.

"Times, I'm afraid, have changed since. All that came to an end about 1975."

Men and Matters

Single-minded

Back at Austin Rover, Jean Denton, director of external affairs, and a powerful executive in the group in recent times, announced her resignation yesterday.

Her departure is seen as part of the top management shake-up which saw the early retirement of chairman Harold Musgrove last month.

Denton says her joh under Graham Day, the naw "hands-on" Rover group chairman and chief executive, is not the one she joined to do. Parts of her functions in dealing with Whitehall, Westminster, and the press, have been given to two close Day aides, Peter Thompson and John Pullen.

She joined Rover after heading Gerald Ronson's Herondrive operation, and blossomed as s media figure for the women's movement.

Last night she was in good spirits as she prepared to fly to Hamburg to speak to a conference of tha European Women's Management Development Committee.

Aged 50, and she says, no longer sensitive about it, Denton claims that her future career, is, as yet, uncharted. "I can deny all rumours that I am retiring, or leaving to get married."

Shining Forth

Being general secretary of a trade union can be e lonely job, they say. But Hector MacKenzia, whose election as leader of the health workers' union Cohse was announced yesterday, is used to solitude.

The 46-year-old Scot is the son of e former secretary of the Scottish Lightkeepers' Association, was brought up in various lighthouses around the Scottish coast, and was himself s lighthouse keeper earlier in his working life.

MacKenzie, a qualified psychietric nurse, was 1966 Nurse of the Year. A native of the northern fastness of Sutherland, he had London journalists yesterday twisting their tongues round his middle name Uisdean (Gaelic for Hugh).

Kinnock's way

Neil Kinnock, leader of what he likes to dub "the party of production," otherwise known as Britain's Labour Party, has good cause to be pleased with the vigorous productive efforts which ended yesterday with the launch of his first book.

Called "Making Our Way," and published by Basil Blackwell, it sets out the Kinnock strategy for reversing what the Labour leader describes as the remorseless reduction in Britain's wealth-creating base.

His original intention was, like Mrs Thatcher before him, merely to compile and puhlish a collection of speeches and statements encapsulating his own formula for economic success. But it seems that his modest objective took on an altogether more ambitious dimension while he was enjoying his summer holiday on the Greek island of Corfu.

Surrounded by family and friends in his Mediterranean villa, Kinnock regularly excused himself and took up his pen to weld together his thoughts into something more substantial. He says the task was not too demanding given "beautiful dawns, sun-drenched beaches, an understanding family, and plenty of Greek coffee."

It has taken just 28 days to publication after Kinnock delivered his manuscript. However, he has not been so speedy in putting together a long-promised book based on the speeches of Labour's hero Aneurin Bevan. His research material is still languishing in a collection of cardboard boxes.

Price spiral

"One day, people engaged in that money game are going to incur the wrath of God." Thus spake Dr Hisashi Shinto, president of Nippon Telegraph and Telephone (NTT), Japan's communications ntility.

Shinto, long a widely respected industrial leader in Japan, was moved to this outburst hy a question about the exceedingly high price of NTT shares to be offered next month on tha Tokyo stock market.

The shares have been priced at Y1,197m ($7,500) each, which is sbout 133 times NTT's earnings per share last year. Shinto, speaking to a group of foreign reporters in Tokyo yesterday, described the price as "mind boggling" and said "there was nothing whatever to substantiate that price or the prices of other shares these days."

He attributed the high prices to e "money gama" that has gripped the world lately. He said there was now about $80,000bn swirling around in financial markets, of which only $200bn was actually needed for settling trade accounts.

"But I hope you won't write whet I have said." He added. "Just say that it gives me a headache."

Observer

Politics Today: Sinn Fein

When even a little support goes a long way

By Malcolm Rutherford

THERE can have been few party conferences anywhere as electric in atmosphere as that of Sinn Fein, the political wing of the Irish Republican Army, which took place in Dublin last weekend. The party voted by just over the required two-thirds majority to end its policy of "abstentionism" and to seek and take up seats in the Irish Parliament.

On the face of it, it was democratic, peaceful, ocasionally humorous and always riveting. Sinn Fein supplies its own security officers; they were noticeably deferential about searching visitors and politeness generally was the order of the day. Mr Gerry Adams, the party President, appearing before his own people, emerged as an infinitely more charismatic figure than he has seemed when addressing fringe meetings of the British Labour Party.

At times it was easy to forget that this wag what Dr Garret FitzGerald, the Irish Prime Minister, called afterwards a party comitted to a "brutal campaign of violence" now seeking to use the ballot-box as well. Yet that was what *it* was and few speakers made any attempt to hide it. Sinn Fein has not gone pink or turned social democratic. It is a revolutionary movement now fighting on two fronts: the military and the political.

Indeed the only dissent came from a small group led by a former President, Mr Ruairi O'Bradaigh, which walked out at the end rather than have anything to do with the new electoral strategy. It is Mr Adams'e Sinn Fein that is now on top and the strategy bad been *approved in* advance by the majority of the IRA leadership.

There are two main questions: what are the established parties in Ireland going to do ebout it? And what, if anything, does it mean for Britain, especially in the context of the Anglo-Irish agreement, the first anniversary of which takes place later this month?

It may be said that the chances of Sinn Fein doing well in elections are remote. The latest opinion poll, taken just before last weekend's conference, gave it 2 per cent of the vote. In March 1957, fighting on an abstentionist ticket, it won four seats in the Irish Parliament or Dail, but that was at a time when feeling on the national question was running extremely *high*. It won two in 1981 during the famous hunger strike in the Maze Prison, but lost them when the strike was over. Last year it won 10 seats out of 883 in local elections, or 3.3 per cent of the vote.

● Gerry Adams

The decision to drop abstentionism in the Dail elections may give it a boost, but it is not sterting from e position of strength.

Sinn Fein is also hard left in a *way* that *has* not *proved* popular with many Irish voters in the past. Quite how hard left may be illustrated by some of the motions at the conference. Several referred to the need to establish e 32-county (that means all-Ireland) socialist republic. A motion condemning the Polish Solidarity movement as e "counter-revolutionary arm of the US and its Nato allies" was withdrawn only at the last minute. So was another aligning Sinn Fein with Cuba, North Korea, Vietnam, Kampuchea, Afghanistan, Mongolia and Laos. Its neutralism is much more of the pro-Moscow variety than even-handed between Moscow and Washington. It has not quite come down against Irish membership of the European Community, but is coming close to it and is fiercely hostile to the *Single European Act*, shortly to go before the Dail. References to the class struggle abound.

As for the party's internal organisation, there is more than a touch of Marxist-Leninism. One motion called for the immediate expulsion of any member who put forward individual views rather than those of the party. Such discipline does not come naturally to the Irish.

Neither the minuscule size of its present vote, however, nor its bard left stance should leed to Sinn Fein being lightly dismissed. Mr Adams said in his Presidential address that the first serious test of the new strategy will be not in the next general election, but in the one after that. Meanwhile, the party should seek to exercise its influence in other ways.

It is bere that Sinn Fein may be on more fertile ground. Indeed there is something in some of its activities that remind one of the community politics of the British Liberal Party: namely, exploiting local grievances. Sinn Fein makes great play of the poverty of some Irish fishermen and Irish farmers and of the deprived inner cities, especially Dublin. Like the British Labour Party it is also deep into minority issues. It would not be wholly surprising if, by concentrating its resources, it were to win the odd seat next time.

Moreover, the nature of Irish politics and the Irish electoral system can make even one seat crucial to whether a government stands or falls. The present government survived a motion of confidence last month by only 83 votes to 81. That is not an infreqnent event. Just one or two Sinn Fein members could *sway* the balance.

Yet the more immediate question is the effect of the new strategy on Mr Charles Haughey' ianna ail opposition party. Mr Adams plainly regards Dr FitzGerald as beyond the pale: "the political wing of Mr Thatcher's British army." Mr Haughey' Fianna Fail opposition Fianna Fail has become the traditional repository of the republican vote. The challenge now is whether be seeks to cover his flanks by becoming even more republican or whether he loses support to the out-and-out republicans represented by Sinn Fein. The two are not incompatible.

This is also the question of most interest to Britain, for Mr Haughey could again be Prime Minister after the next Dail election and his support for the Anglo-Irish agreement has been less than 100 per cent.

There are some ways in which he could trim. For instance, he has already been rather more critical of the Single European Act than might have been expected. What be is doing is playing up Irish nationalism and urging the Community to treat Ireland as a special case. He is also strongly opposed to the British nuclear reprocessing plant at Sellafield *on the grounds* that it contaminetes the Irish Sea. Closure of the plant is another plank in the Sinn Fein programme.

Not least, he could put more emphasis on the use of the Irish language, which is central to what Sinn Fein is demanding. "An English-speaking Ireland," said one delegate at the conference, "cannot be e free Ireland," though e motion to make it mandetory for all new members of the party to attend Irish classes during the six-week probationary period was *withdrewn*. Greater use of Irish is covered in the Anglo-Irish agreement; there would be no harm in pushing it a bit more. After all, encouragement of the Welsh language has not led to an increase in Welsh nationalism and may even have softened it.

Mr Hanghey could also press for some of the other provisions in the agreement to be implemanted more rapidly: for instance, a greater say for the Republic in the system of justice in Northern Ireland.

But there must be limits beyond which he cannot go, for in the end Sinn Fein is aimed just as much at Fianna Fail as at Fine Gael.

Mr Adams let him off relatively lightly. "If Mr Haughey is serious," be said, "he will stop spending millions of Irish tax-payers' money on maintaining Britain'e border. . . . He would stop extraditing Irish citizens *into the hands of the* British. . . . He would send the British Ambassador home and recall the Irish Ambassador from London." Mr Haughey is unlikely to do any such thing, but he must still be worried by the Sinn Fein challenge.

Until the opinion poll (taken before the conference) published in the Irish Times last Monday, his prospects of returning to power looked rather bright. The poll showed, however, that his party's support was down from 51 per cent in June to 46 per cent. Dr FitzGerald'e party was up from 25 per cent to 29 per cent and Mr Desmond O'Malley's Progressive Democrats—a breakaway from Fianna Fail—were holding steady at 15 per cent.

The election must be held by next November and could come much earlier. Dr FitzGerald will fight it on a platform of economic austerity, saying that he was hampered in this by his present coalition with the Labour Party. The latter is in considerable disarray and wants to go into the opposition to rethink its future, if indeed it has one. There is tal kof a possible post-election coalition between Fine Gael and the Progressive Democrats.

Yet Mr Haughey could still make it and Irish politics look very open. That is wby even a small vote for Sinn Fein could *make a lot of difference*. If there is no substantial improvement in the Irish economy as well as progress in developing the Anglo-Irish agreement by the election after next, last weekend's conference may be seen as one of those historic dates in Irish history—as the participants already regard it.

There is, perhaps, one small warning for the British Labour Party. Sinn Fein voted to step up the activities of its British desk. That means seeking to appear on more Labour Party platforms in Britain, and to link up with other Hminority groups that haunt Labour conferences. Mr Neil Kinnock is against it, but there is stil la revolutionary fringe around the Labour Party that has not gone away.

The lesson for the British Government is to press on harder *than* ever with the Anglo-Irish Agreement, for there is a revolutionary movement in Ireland that has not gone away either, and may be resurgent. Mr Hanghey'e reactions could be very important for Britain.

Lombard

A Martian view of unemployment

By Michael Prowse

IT WOULD not take an economist from Mars long to identify the gaping hole at the heart of the Thatcher Government's economic strategy. Year after year, he would point out, the Government plans an increase in gross domestic product, measured in money terms, which is broadly equivalent to the expected increase in the incomes of those in work. How, he might ask in exasperation, does it expect to reduce unemployment if it *has* no mechanism for ensuring that wages grow much less fast than money GDP? On present policy, sizable increases in employment are an arithmetical impossibility.

How would the Chancellor attempt to justify his approach? He might well convince his Martian visitor that more rapid growth of money GDP would be unwise. There is ample evidence that it would lead to yet higher wage and price inflation. But what of the alternative — more robust measures to curb pay? Mr Lawson would protest that he and other ministers have made countless speeches pointing out tha folly of excessive awards. In a free society, be would argue, the Government can do no more: it is ultimetely up to managers and workers to agree mutually acceptable wage increases. If their free choices result in high unemployment so be it.

The Martian might retort thet this was a very odd assessment of the responsibilities of government. On Mars, be might argue, the government represents all rather than some of the people. Moreover, it intervenes precisely when the free decisions of private agents tend not to result in optimal outcomes for society as a whole — when, in short, there exist what earthly economists call "externalities."

There are two obvious externalities in pay bargaining. First, the unemployed are not represented. Second, and more important, individual bargaining groups have little incentive to show restraint when there is no reason to suppose that other groups will do their bit. Why wear e hair shirt if everybody else is clothed in silk? The result of individual, uncoordinated pay decisions is collective madness: an overall rate of wage inflation that is absurd by international standards and which leaves the unemployed with no hope of better times.

The Chancellor has already conceded the existence of externalities and the need for public-sector intervention: he has proposed tax relief for profit-related pay. However, profit sharing is likely to have only a small effect on employment and that in the long rather than short term. A Martian might innocently contend that the unemployment problem was sufficiently severe to warrant more direct and more immediate action. Why not, as Professor Richard Layard* has argued, use the tax system to penalise excessive pay awards?

A tax on irresponsible awards would bear very little resemblance to the crude incomes policies of the past. For a start, there would be absolutely no compulsion. The Government would not be dictating to the private sector; it would merely be making certain corporate decisions more expensive than others. No great point of principle is involved: the tax system is already used in countless ways to influence behaviour —higher ratee of income tax, for example, impose extra costs on companies with highly-paid employees. The tax system is *explicitly* used to influence demand in the economy: why not also use it to influence wage costs and so bring the two into better balance?

Compliance costs would not be that great. The PAYE system could be modified so that companies automatically paid an extra tax if the growth of earnings exceeded some norm. There would, of course, be some microeconomic distortions: some fully-justified pay increases would be penalised.

But a man from Mars, free from ideological bias, would surely argue that such *distortions* are completely dwarfed by the macroeconomic monstrosity of 3m-plus unemployment. Talk of efficiency in the labour market is otiose in the face of this thundering distortion. Unbiased observers would surely agree that the Government ought et least to *try* a new policy designed to ensure that rises in money GDP finance new jobs rather than higher pay. What on earth is there to lose?

* *How to beat unemployment.* OUP, £3.95.

Letters to the Editor

Rate support grants

From the chairman, Finance Committee, Nottinghamshire County Council

Sir,—You report (November 4) Mr Nicholas Ridley, the Secretary of State for the Environment, as saying that many counties have had an increase in rate income from people and businesses moving into their areas so they do not need to put up rates even if their (government) grants are reduced.

Under the resource equalisation element of the rate support grant system after a year'a delay every £1 increase in rate income to counties is matched by a £1 reduction in government grants. Hence increases in rate income have no significant effect on counties' precept requirements.

It is perhaps misunderstandings by ministers of their own labyrinthine and esoteric rate support grant machinery—once described by Tom King as Europe'e most sophisticated, accurate and fair system—that lead them to such false optimism about future rate increases.

Michael Cowan.
County Hall, West Bridgford, Notts.

High house prices

From Mr J. Pantling

Sir, — John Muellbauer'a analysis (23 October) of the effect of mortgage relief and its withdrawal on the economy smacks of naive optimism divorced from reality.

Lower interest rates may result from the corresponding reduction in inflation and reduced levels of credit demand, but international factors could keep them high with a devastating effect on existing bpme owners. First-time buyers would be particularly hit as the prices of their houses fell below the level of their loans, and building societies would not necessarily recoup in full on foreclosure. In these circumstances, wages would come under more not less pressure from anxious mortgagees; lower house prices would only advantage new buyers, at least in the short term.

I am sceptical that the expected disproportionate fall in prices in London and the south east would be sufficiently large to increase regional mobility to any measurable extent; and many unemployed in the regions are not owner - occupiees. Mobility for bouse-owners could be better enhanced by reducing the high costs and time delays associated with moving, starting with the abolition of stamp duty.

Not all losses would be *paper*. Especially in the south east, where the differential between *one house and a slightly larger* one *is substantial, householders* are turning to improvements and extensions instead of moving, thus fuelling the building industry with mortgage extensions eligible for relief. This activity would decline dramatically if it were withdrawn.

Mr Muellbauer has ducked the question of how exactly a phased withdrawal, over 3 years' could in practice be achieved. The chosen method would itself have implications eg the abolition of relief at the higher rates *as a first step*, though equitable, would reduce prices on more expensive *property*. Or should relief be withdrawn only for new mortgages? Or on lessening capital sums?

As to the political implications of withdrawal, a party brought to power *on* the back of a policy of bouse and ownership for all would invite jibes of betrayal from those wbo had followed the Prime Minister'a advice to buy.

No, the Government is no more likely to agree to a policy the outcome of which *is likely* to be a fall in the valne of property than it is to issue public health warnings that share prices can fall as well as rise to potential small investors in British Gas.

J. A. Pantling.
15 Sudbrooke Road, SW12.

A minimum wage

From the Director, Low Pay Unit.

Sir,—David Potts, personnel director of First Leisure Corporation, argues convincingly (November 3) the case for a national minimum wage as proposed by the TUC and the Labour Party. He believes that *few* employers would disagree with the principle that "a decent income is a fundamental *objective* of any civilised society." Indeed, he recognises that "developing wages policies that are effective in attracting and retaining capable employees and which provide mechanisms *for* rewarding ability, flexibility and effort" are positively beneficial.

The leisure industry has an endemic problem of low pay, *for* which it pays a heavy price in staff turnover and reduced efficiency. The reputation of the industry suffers as a result. It is encouraging *to see that* management in this sector recognises *the damaging* effects of "deregulation" and the spiral of wage undercutting that it has stimulated.

The proposal to phase in the minimum wage over time acknowledges that some industries have come to rely on low wage labour as a form of subsidy. They need time to adjust their operations to a higher level of efficiency and improved rewards for staff. In the long term responsible firms, customers and staff all stand to gain. Modern industries cannot operate efficiently within a Victorian philosophy of industrial relations.

Chris Pond,
9, Upper Berkeley, St, W1.

The people's court

From the Chairman of Council, The Magistrates' Association.

Sir,—Mr Hermann in his article of October 30 "Lord Hailsham and the people'e court," states that "sitting magistrates and ex-magistrates dominate the advisory committees and it seems that the secretary of the committee and its chairman have the decisive say." While it is true that advisory committees are largely composed of magistrates, who are better equipped to judge the suitability of nominees? As to the chairman and secretary *having a decisive role*, what is Mr Hermann's evidence for this? In my experience of over 12 years as a member of the Lord Chancellor's Essex advisory committee the chairman and secretary have no more influence than any of its members, and in any case it must be appreciated that an objection from any member would prevent the nomination being recommended to the Lord Chancellor.

Mr Hermann quite illogically infers thet 47 per cent of cases committed to the Crown Court "being thrown out by the judge without e trial" says something for the training and experiance of the magistrates. Surely be must know that the vast majority of cases committed for trial are committed on written *statements without* consideration by the magistrates. This fact may say something ebout the committal procedure but nothing ebout the training and experience of megistrates.

In the following paragraph there is the misleading statement that the judge *alone* has sentencing power in the Crown Court. This does not apply in cases committed for sentence or heard on appeal from magistrates' courts, where the magistrates sitting with the jodge have an equal role with him in determining sentence.

Mr Hermann states that it is bad for the authority of the courts and respect for the law that judges are drawn from e narrow social group. I can suggest no remedy for this problem, but does be really wish to aggravate the situation by the appointment of many more stipendiary magistrates in respect of wbom similar criticism would be equally valid?

(Dr) D. I. Acres,
28 Fitzroy Square, W.1.

Derelict buildings

From the Financial Director, Glostal

Sir,—The Prince of Wales's comments on dereliction of housing can be easily paralleled with the *dereliction of industrial* premises. A significant deterrent to the industrial community in doing anything about this is the archaic system of industrial buildings allowances for taxpurposes.

For any other class of asset tax allowances are based on the cost of the asset to the purchaser. For industrial buildings the actual cost to the purchaser of secondhand property is ignored, and the original cost of construction is used instead. This may be an insignificant amount following many years of inflation since the building was first erected. Although tax relief may be available for subsequent refurbishment or enlargement, this may often not be contemplated when a building is first acquired and the disincentive inherent in the tax system strongly mitigates against the *acquisition* of older buildings for industrial use. Needless to say there are social consequences in that the centres of employment drift away from such areas, leading to a general spiral of decline.

The Chancellor would do well to address this long standing taxation anomaly in his next budget if be wishes to combine social benefits with a much needed piece of help for the business community.

Duncan Heenan.
Ashchurch, Tewkesbury, Glos.

Dying to please

From Mr E. Troup

Sir,—In the heady days before Big Bang when British *Rail* was *still "getting there"* the music played by BR at the Waterloo end of the Waterloo end City Line was cheerful and innocuous. On November 4, it was playing the Liebestod from Wegner's Tristan and Isolde. What does this mean?

Edward Troup.
14 Dominion Street EC2.

FINANCIAL TIMES
Friday November 7 1986

Murdoch may buy stake in Hong Kong newspaper

BY DAVID DODWELL IN HONG KONG

MR RUPERT MURDOCH, the Australian-born media entrepreneur whose newspaper and broadcasting interests span Australia, the US and the UK, is expected to an*nounce today the acquisition of a* controlling stake in Hong Kong's South China Morning Post in a deal that is unlikely to give him much change out of HK$1bn (US$128.2m).

The South China Morning Post (SCMP), reputed to be one of the most profitable newspapers in the world, is currently controlled by the Hongkong and Shanghai Banking Corporation (48 per cent), Hutchison Whampoa, the trading group (25 per cent), and Dow-Jones, the US media group (19 per cent).

Mr Murdoch is expected to emerge from the deal with a shareholding equal to that of the other three main shareholders combined – just under 40 per cent – with most of his holding coming from Hutchison and Hongkong Bank.

The acquisition raises questions about Mr Murdoch's business strategy in Asia, but equally important, it raises questions about the intentions of Mr Li Ka-shing, who *controls* Hutchison, and recently acquired a 4.99 per cent stake in Pearson of the UK, whose interests include the Financial Times.

Dealing in SCMP shares will be suspended on the Hong Kong Stock Exchange this morning at the company'a request, and a formal announcement about the deal is expected later in the day.

In what is likely to be a two-phase transaction, Mr Murdoch is understood to be paying an average in the region of HK$75 per SCMP share – which values the group at about HK$2.4bn.

There has been speculation about a takeover of the SCMP for many months. In autumn last year, the Financial Times held discussions on a *possible purchase*, but these floundered when Hongkong Bank rejected an offer of HK$65 a share.

The newspaper group earned profits after tax in the year to June 30 1986 of HK$165m. Apart from publishing the South China Morning Post newspaper, Hong Kong's leading English-language newspaper, and the *Far Eastern Economic Review*, the weekly magazine, it has interests spanning commercial printing, book distribution and film setting.

Of greatest interest to Mr Murdoch, however, will be the completion in January 1987 of new printing presses that will be able to complete the newspaper's existing daily print run, averaging 62,000 in an hour and 10 minutes.

Tha disposal by Li Ka-shing of a substantial proportion of his holding in the SCMP is expected to fuel *speculation over his corporate* plans.

He is seen by many as Hong Kong's most successful entrepreneur, controlling Hutchison Whampoa, Hongkong Electric, the utility group, and a number of *smaller* companies, through his holding company Cheung Kong. These three main groups together are capitalised in the Hong Kong Stock Market at about HK$42bn – about 15 *per cent of Hong Kong's total* market capitalisation.

The fact that he has in recent months been accumulating substantial funds – now close to HK$4bn – *by means of disposals and placements* has convinced many analysts that a takeover is being hatched.

He recently attracted international attention when he acquired through *Hutchison s 4.99 per cent* holding in Pearson at a cost of about HK$550m. A signal that he was interested in building up his stake has been received frostily by Pearson, although *discussions* are currently in progress on areas of possible collaboration between Pearson and Hutchison.

Hongkong Bank's decision to sell shares to Mr Murdoch comes after more than a year of flat denials that it is willing to consider any offer.

Mr Rupert Murdoch: eyes on Asia

Threat to UK plan for lower air fares

By Tim Dickson in Brussels

BRITISH EFFORTS to achieve lower European air fares through greater competition among EEC airlines are in *danger of being thwarted by* France and West Germany.

Mr John Moore, Britain'a Transport Minister, is understood to be furious that French and German officials *now appear to be going back* on what he felt were clear political commitments made at last month's informal meeting of EEC transport ministers in London.

These officials privately admit that they are coming under severe pressure from Air France and Lufthansa to hold out against the relatively modest degree of air transport liberalisation being sought by Britain, currently holding the presidency of the EEC.

EEC transport ministers meet formally in Brussels on Monday in what is likely to prove a crucial test of positions on the latest British compromise position.

In essence Britain has been saying that it is prepared to accept a three-year "group exemption" for airlines against application of the Community's competition policy, provided member states agree significantly to ease the current restrictions on discount and off-peak fares.

On capacity sharing, Britain's position is that member states should agree to *sanction divisions of no* more than 55/45 for the first two years, followed by 60/40 for the third year.

West German and French officials insist that while their governments concede there is some flexibility in their *own* preferred 55/45 approach, they have made no commitment to an ultimate 60/40 division and do not intend to do so. The difficulty for Britain is that any de*cision must be unanimous and the* Netherlands, the member state which along with the UK and Ireland is most in favour of liberalisation, is likely to adopt a tough, *stance against any further compro*mise on Monday.

GM will close 11 US plants to cut capacity

BY CHARLES HODGSON IN NEW YORK

GENERAL MOTORS, the largest US car maker, yesterday announced plans to close 11 assembly and metal manufacturing plants employing 29,000 workers over the next few years.

Mr Robert Smith, GM chairman, said the closures would result in fixed-cost savings of $500m a year and would create "a trimmer and more competitive company."

The move *is the latest and most* significant step in GM's restructuring programme and follows several years when the company has been facing increasingly fierce competition from Ford and Chrysler, *its* main rivals in the US car markets.

Mr Smith said that the decision to close the 11 operations was the first phase of GM's "reorganisation and modernisation programme" and that a decision would be taken *at a later date on the future of other* assembly, stamping, engine and component facilities. The operations covered by yesterday's closure announcement are in Michigan, *Ohio, Illinois and Missouri.*

GM, which last year had about 42 per cent of the US car market, has long been hampered by excess production capacity and soaring manufacturing costs. *Many analysts* feel that the company has been slower than some of its rivals to adjust to the more competitive US car market.

GM gave warning last month, when reporting a $338.5m third-*quarter operating loss*, that production cuts would have to be done.

However, Mr Smith stressed yesterday that GM had "turned the corner" and was beginning to rea*lise the benefits of a $10bn plant* modernisation programme, begun in the late 1970s. A partial result of that programme was the closure of operations that had become redundant with the construction of six new plants and the refurbishing of 12 others.

Mr James McDonald, GM president, said that work carried out at the plants chosen for closure would be consolidated at other GM plants. *He said that most of the closures* had been previously announced in connection with the construction of replacement plants.

Yesterday's announcement follows an earlier decision by GM to cut 25 per cent of its salaried work*force by 1989 to reduce costs and in*crease competitiveness.

Mr McDonald said that the company would make a major effort to cushion the impact of the closures on the workers affected. A spokesman for the United Auto Workers *Union said that* the *union had been* consulted by GM before the announcement. Some of the employees would have transfer rights to other GM plants or would benefit from retraining programmes operated by the company.

Analysts said it was difficult to assess the impact of the plant closures on GM's capacity, since some of the production would be transferred to the newer plants. Mr Philip Fricke, an analyst with Goldman Sachs, said that GM currently has capacity to produce about 7.2m cars.

India offers amnesty on secret funds

By K. K. Sharma in New Delhi

THE INDIAN government yesterday announced an amnesty for all Indian companies and individuals who voluntarily declare their secret financial interests overseas. The *scheme aims* both at building up foreign exchange reserves and letting violators of laws opt for honesty.

The amnesty scheme was announced to *parliament by Mr V.P* Singh, Finance Minister. He said it had been formulated in the spirit that guided the Government to announce recent voluntary disclosure schemes for income tax and indirect taxes.

The Indian Government recently stepped up raids on Indian businessmen and others suspected of illegal foreign exchange dealings. At least two senior industrialists were *among those arrested and one* of them was pardoned earlier this month when be confessed to violations of the foreign exchange regulation act and apologised to the Government.

The violations were mainly in respect of equity interests in overseas joint ventures or equity interests in subsidiaries or overseas affiliates. All these need prior approval of the Reserve Bank.

Under the new scheme, the Government has invited all Indian companies and nationals with foreign interests, bank balances, assets and holdings overseas to declare them *to the Reserve Bank of India by* March 1987.

Japanese to build copier plant in W. Germany

BY DAVID THOMAS IN LONDON

ANTI-DUMPING duties on imported Japanese photocopiers have led to another Japanese company setting up a factory in Europe.

Konishiroku Photo Industry, the camera, film and copier company, yesterday gave the EEC's duties as a reason for building a copier plant in Lüneburg, Lower Saxony, West Germany.

Konishiroku's decision is the lat*est sign that the duties will lead to a* big increase in Japanese copying capacity in Europe.

When the European Commission imposed provisional anti-dumping duties of up to 15.8 per cent in August, Japanese copying companies vigorously denied that they were dumping. The duties last initially for four months.

Konishiroku's new factory will start producing next year. It will be *making 18,000 copiers* a year at first, rising after one year to 20,000, with about half the content procured into Europe.

It will start by employing 100 people, rising to 200. Initial investment will be DM 20m ($97m).

In its first two years the plant will be making two models in the Konica U-BIX range of copiers. It is likely to start making all the eight models sold by Konishiroku in Europe after two to three years, when output and employment will probably rise substantially.

Konishiroku claims about 8 per cent of the copying market in Europe and about 10 per cent of the UK market.

The company said it had been considering producing in Europe for some time, mainly because of the high value of the yen.

Konishiroku is unusual in pointing openly to the impact of the duties, but other Japanese companies are also thought to have been influenced by the Commission's dumping investigation to expand their copying capacity in Europe.

Sony plans Italian plant, Page 4

Moscow expects bumper harvest

Continued from Page 1

The Soviet Union has developed as the world's main importer of grain over the last 20 years as its harvests have consistently failed to produce enough feed grain for livestock during a period when Soviet meat consumption has risen quickly. As a result the country has come to rely on imports, which peaked at *56m tonnes in 1984–85. USDA had* estimated total grain imports at 32m tonnes this year.

The grain harvest may also have increased as a result of recent measures *to provide incentives for* Soviet farms to produce more

Lawson's spending rise

Continued from Page 1

a pound used in higher public expenditure is a pound not available for reductions in taxation," Mr Lawson said.

The *comment was seen* in Whitehall, however, as the traditional attempt to downplay expectations ahead of next spring's budget. Despite concern among some of the *Treasury's most senior economic* advisers that the Government should reduce borrowing next year, the Government is widely expected to opt for sizeable tax cuts.

Expectations in the City of London that Mr Lawson would still find room for a reduction in the basic rate of income tax were reinforced by the Chancellor's announcement that non-oil revenues were now running £2bn ahead of his budget forecast. That more than offsets an expected overrun in public spending during the current year of £1¼bn.

In financial markets, sterling reacted favourably to the statement as *investors took the view that it* would boost the Government's chances of winning an early general election. Among economic analysts, however, his relatively upbeat economic forecasts were greeted with deep scepticism.

Mr Lawson, however, said that the higher spending was consistent with the Government's declared aim of reducing public spending as a share of national income.

"There can be no question of allowing the projected increases in public expenditure to undermine the prudence of the Government's overall fiscal stance," he said.

In his assessment of the economic outlook, the Chancellor forecast that the pace of growth of output would increase to 3 per cent next year from 2½ per cent in 1986. He acknowledged, however, that buoyant imports and the collapse of overseas revenues from the North Sea meant that Britain faced its first current account deficit since 1979.

The current account, forecast to be in balance this year, will show a deficit of £1½bn in 1987. That compares with the £3bn surpluses typical of the past few years.

The Chancellor also predicted a rise in the inflation rate to 3¾ per cent by the end of next year compared to the present 3 per cent and a low point of less than 2½ per cent seen a few months ago.

Mr Lawson's forecasts assume that the oil price averages about $15 a barrel over the next 18 months, while sterling's value holds at about its present levels.

Treasury economists, however, believe that sterling will have to depreciate *further if Britain's trade* position is to return to balance without a rise in oil prices.

Kohl gives Reagan backing on Star Wars

By David Marsh in Bonn

MR HELMUT KOHL, the West German Chancellor, yesterday strongly defended President Ronald *Reagan for refusing to give up* research and development on the Strategic Defence Initiative (SDI) programme. He also clung on to the hope of super-power agreements on reducing nuclear and chemical weapons – despite the failure of arms talks in Vienna yesterday.

In a sometimes noisy session in the Bundestag (parliament) yesterday, Mr Kohl was forced again to apologise for the "impression" created in an interview with the US magazine Newsweek that he had insulted Mr Mikhail Gorbachev, the Soviet leader.

He also spelled out plans for a new phase of intensified defence cooperation with France. Both France and Spain – although outside the integrated military command structure of Nato – would have to participate in forthcoming East-West talks on reducing conventional forces in Europe, he said.

Stressing that "on no account should a conventional war now become feasible and more probable in Europe," Mr Kohl underlined his *administration's view that possible* US-Soviet nuclear arms cuts would have to lead to efforts to reduce the Soviet Union's conventional military superiority in Europe.

Mr Kohl came under strong attack from Mr Hans-Joachim Vogel, leader of the opposition Social Democratic Party (SPD) parliamentary grouping. Mr Vogel said the Chancellor had "disqualified himself as a responsible politician" by *indirectly comparing*, in the interview, the Soviet leader with Josef Goebbels, Hitler's propaganda chief.

Newsweek last night added to Mr Kohl's embarrassment by playing to journalists their recording of the interview, proving conclusively that Mr Kohl had been correctly quoted by them.

Mr Vogel, seizing on obvious discomfort in the government ranks over the affair, said Mr Kohl had shown a gap in his understanding of history. The interview and the subsequent diplomatic flurry with the Moscow Government had been both damaging and humiliating, he said.

Mr Vogel, who also criticised the Christian Democrat (CDU)-led Government's alleged inconsistencies *over disarmament, was sporadical*ly interrupted by angry catcalls from conservative deputies, one of whom was claimed to have called out that Goebbels was a Socialist.

Mr Kohl, who has been frequently under attack from the SPD in recent months for his unstinting defence of US policies on arms control, yesterday put an optimistic gloss on the US-Soviet talks in Reykjavik last month.

Giving the Bundestag a report on his talks with President Reagan in Washington a fortnight ago, Mr Kohl said he believed four separate arms limitation agreements would be possible in the near future.

These would involve an accord to cut arsenals of intermediate range nuclear missiles, with separate talks to focus on reducing and setting upper limits on short range Soviet missile systems in Europe.

Additionally, Mr Kohl believed agreement was possible on reducing all strategic weapons by half banning chemical weapons worldwide and limiting nuclear arms tests in ine with cuts in arsenals.

Mr Kohl, who is relying on continued momentum in East-West talks to boost his party's showing in the January general elections, admitted that the so-called "zero-option" on eliminating intermediate nuclear forces in Europe would only be quickly realised if the Soviet *Union gave up its insistence on a* "package deal" linking defensive systems as well.

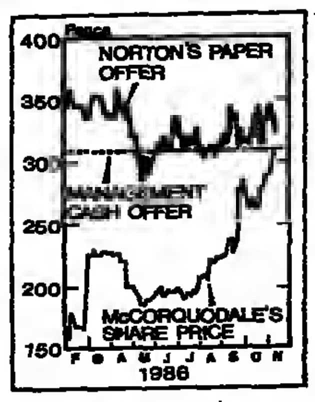
THE LEX COLUMN

Autumn gold in Whitehall

The gilt-edged market got in a fine old muddle with the Autumn Statement. The market was even edging up when the implications of the Chancellor's spree started com*ing through in all their garishness.* Even so a net loss of only ¼ point on the day is not bad going.

If this year is any guide, a £3½bn contingency reserve may not last long, and *next year's departmental* spending increase will exceed this year's PSBR.

Perhaps the market is in election mood. Abandoning fiscal restraint to the *monetary* attic and exploiting a consumer credit boom for all the tax it's worth may not promise much for inflation and the current account 18 months away; but it may *help win an election next summer.* Now if sterling were not so robust...



Norton Opax

The slapping down of bids on the *table for McCorquodale was so fren*zied yesterday that the noise was like poker night at the Last Chance saloon. And McCorquodale shareholders might consider their posi*tion now as players in a risk game.*

Highest risk of all must be accepting the highest offer, Norton Opax's share swap worth 322p at last night's closing price for Norton of *138p, down 8p. It is hard* to believe that if that bid were successful the shares could possibly stick at that price. Norton's share count would rise from 32.1m to 141.9m. An *overhang of stock is* hardly a *worthy* description of the aftermath.

So shareholders can choose between 303.3p in cash from Norton or 310p from the McCorquodale management buyout. It is not quite so *clear cut* as it looks because the *Norton offer* will close first. McCorquodale shareholders, like those who have recalled earlier acceptances of the Norton offer, should wait until the last moment of the *first offer to decide.*

Shell

Shell has finally produced the sort of figures which give a true indication of what $15 oil really means for the company. While the first-half replacement-cost earnings were distorted favourably by the lagging of retail prices behind the fall in wholesale prices, the third quarter is the real McCoy.

European refining margins were about half the level of $4.60 a barrel enjoyed in the second quarter, and to judge from the company'a rather gloomy statement, have fallen further. *Some in the City quite under*estimated the pressure on *margins*: the fall of 11p to 942p in Shell shares – and a knock-on 3 per cent fall in BP stock – is belated recognition.

The market's failure to anticipate that the exploration costs would be £120m higher than those of the previous quarter is a more excusable *miscalculation. The cause – aban*donment of what were previously economic projects – is not really a trading item.

In the US upstream, Shell has actually reported a loss, although the figure has been pushed into the red only by the continued amortisation of the excess over book value paid for the Shell Oil minority in 1984.

If Shell were to produce earnings like this every quarter next year, *then the shares are on a multiple of* about 13 times 1987 earnings, which looks a bit steep. Yet the company has still managed to generate a cash surplus of over £800m in this weakest *quarter of the year so far.* What a monster.

Hill Samuel

Investment banking is a volatile business. The odd million or two *can be made or lost*, here or there, in the twinkling of an underwriting. In September, Hill Samuel lost roughly £4m on the indemnity it gave to certain AE shareholders, as part of the defence against the Turner & Newall bid, partially offset by the fee earned on much hard work.

But despite the surrounding publicity, Hill Samuel shareholders were offered no inkling in yesterday's interim statement of what happened or why. Apparently it is such an everyday part of the business that no explanation was considered necessary.

The episode shows just how low quality merchant bank earnings are. As they comprise, even after a downturn in *the half-year*, 58 per cent of Hill Samuel's after-tax profits, it is not surprising the group's p/e is low.

The rise in total profits from £17.5m to £19.2m *admits* that at least some of the other parts are doing nicely, helped by acquisitions.

The first-half was supposed to be the merchant banks' last chance of making big money. *The second will* depend on the costs involved in preparing for Big Bang starting or failing to earn a return.

If Hill Samuel makes £43m for the year, up from £40.7m, the prospective p/e *is* a lowly 7¾ with the *shares* down 8p to 364p. The yield, around 5½ per cent, and bid speculation are all that supports the shares.

M&G

The *M&G share price has held* very firm in the month since Kleinwort Benson revealed that it was to sell its stake in the company. It is odd that the prospect of greatly increased supply of stock should cause the price to rise – a fact which *may lie behind the decision to offer* the shares at a welcoming 9 per cent discount to the prevailing market price. Perish the thought that Cazenove's recent misfortunes in *the new issue market have caused* the tigers of Tokenhouse Yard to blink. The underwriting period *is* about twice as long as normal, to give M&G's unitholders every chance to apply: this too may have given some bargaining power to the sub-underwriters.

Still and all, the shares are by no means cheap, at 20 times earnings for the year to September. The pretax profit growth of 53 per cent is impressive, but *not out of line with* what is being reported by a highly valued sector in which M&G commands a premium rating. M&G's share of the unit trust market will probably continue to decline, but the market itself is growing rapidly enough for that not to be a major concern. Meanwhile, M&G has more room than its competitors to increase profitability by putting up charges.

World Weather

		°C	°F			°C	°F			°C	°F			°C	°F
Ajaccio	F	18	64	Dubrovnik	S	14	57	Malta	F	19	66	Rhodes	F	18	64
Algarve	F	19	66	Edinburgh	F	9	48	Manchester	F	9	48	Rio de J'o	C	40	104
Amsterdam	F	10	50	Faro	S	19	66	Manila	S	32	90	Rome	F	17	63
Athens	F	14	57	Florence	F	12	54	Melbourne	-	—	—	Salzburg	R	9	48
Bahrain	S	29	84	Frankfurt	C	8	46	Mexico City	S	22	72	San Francisco	F	18	65
Bangkok	C	32	90	Funchal	S	21	70	Miami	C	31	87	Seoul	C	13	55
Barcelona	S	17	63	Geneva	F	7	45	Milan	S	11	52	Singapore	C	30	86
Beirut	-	—	—	Gibraltar	S	20	68	Montreal	C	1	34	Stockholm	C	6	43
Belfast	[illegible]	9	48	Glasgow	F	9	48	Moscow	C	1	34	Strasbourg	C	9	48
Belgrade	F	9	48	Guernsey	S	12	54	Munich	C	6	43	Sydney	C	28	82
Berlin	C	10	50	Helsinki	Sl	2	36	Nairobi	-	—	—	Taipei	F	27	81
Biarritz	S	16	61	H. Kong	S	23	73	Naples	S	15	59	Tangier	S	23	73
Bombay	-	—	—	Innsbruck	C	8	46	Nassau	-	—	—	Tel Aviv	F	23	73
Bordeaux	S	15	59	Inverness	C	8	46	New Delhi	S	29	85	Tenerife	S	24	75
Brussels	C	10	50	Islamabad	S	[illegible]	36	New York	C	7	44	Tokyo	F	18	64
Budapest	C	7	45	Istanbul	C	9	48	Nice	S	17	63	Toronto	C	6	43
B. Aires	C	24	75	Jakarta	C	29	84	Nicosia	C	23	73	Tunis	F	18	64
Cairo	S	27	81	Jersey	S	16	61	Oporto	S	18	64	Valencia	S	18	64
Cape Town	-	—	—	Jo'burg	S	23	72	Oslo	S	6	43	Venice	S	11	52
Caracas	C	27	81	Lima	C	20	68	Paris	C	10	50	Vienna	C	6	43
Casablanca	S	24	75	Lisbon	F	19	66	Peking	F	14	57	Warsaw	C	7	45
Chicago	F	1	34	London	F	12	54	Prague	S	7	45	Washington	S	6	43
Cologne	C	11	52	Los Angeles	F	26	79	Reykjavik	C	1	34	Zurich	C	9	48
Copenhagen	F	8	46	Luxembourg	C	7	45								
Corfu	S	20	68	Madrid	S	12	54								
Dallas	-	—	—	Majorca	S	19	66								
Dublin	S	10	50	Malaga	S	20	68								

Readings at mid-day yesterday:
C–Cloudy D–Drizzle F–Fair Fg–Fog H–Hail R–Rain S–Sun Sl–Sleet Sn–Snow T–Thunder

FINANCIAL TIMES

Friday November 7 1986

Goldsmith offers $5.3bn to buy Goodyear Tire

BY WILLIAM HALL IN NEW YORK

SIR JAMES GOLDSMITH, the Anglo-French financier, yesterday unveiled one of the biggest foreign takeover proposals in the US and said that he had offered to buy the Goodyear Tire & Rubber company, the world's biggest tyre manufacturer, for $5.3bn.

News of the $49 a share cash proposal came less than two hours after Goodyear announced plans to spend close to $1bn on repurchasing almost a fifth of its shares and the possible sale of several more of its prize assets including its aerospace business. On Wall Street, Goodyear's shares fell $1⅛ to $47⅞ in early trading as Wall Street analysts tried to decide whether Sir James would pursue his $49 a share offer even though it had been rebuffed by Goodyear.

Sir James, who is leading an investor group with an 11½ per cent stake in Goodyear, made the proposal during 24 hours of behind-the-scenes manoeuvring which culminated in a meeting in New York on Wednesday evening between Sir James and Mr Robert Mercer, Goodyear's chief executive, and their respective advisers.

Sir James told Goodyear that it would be in the best interests of its shareholders, employees, customers and suppliers to "negotiate a friendly transaction" in which all Goodyear's shareholders received $49 a share in cash for all of their stock. Goodyear responded by explaining its sweeping restructuring plans and said that its investment bankers believed that "the proposed overall restructuring would be valued in the market in excess of $50 a share."

Sir James indicated that he was not willing to make a tender offer at a price above $49 a share. In an amended Schedule 13D filing with the US Securities and Exchange Commission yesterday Sir James said that his investor group continued to "maintain an interest in acquiring all of the outstanding shares of Goodyear at a price of $49 per share in cash"

Goodyear's announcement thet it intended to initially buy up to 20m shares of the company's outstanding common stock in the open market, and consider the sale of Goodyear Aerospace and Motor Wheel, indicate that the 88-year-old tyre company intends to fight Sir James's proposals.

Yesterday's moves by Goodyear came less than a week after it confirmed that Sir James was the mystery corporate raider who had been acquiring stock in the group. Goodyear has hired Goldman Sachs, a Wall Street investment bank, and Drexel Burnham Lambert, a fast-growing investment bank which has financed many of the most famous Wall Street corporate raiders, to help it defend itself

Nissan incurs its first ever loss

By Carla Rapoport in Tokyo

NISSAN MOTOR, Japan's second largest car maker, yesterday announced an operating loss of Y19.7bn ($120m) for the first six months to September, its first loss since becoming a public company in 1951.

This came as a direct result of the yen's strong appreciation against foreign currencies in the past year. The higher yen squeezed export margins and led to intensified competition in the home market.

Sales in the six months were down almost 10 per cent to Y1.74bn, with exports off 4.3 per cent and domestic sales 9.1 per cent lower. Unit sales were down less than 1 per cent. These figures indicated that Nissan was not increasing its export prices in line with the appreciating value of the yen but chose to maintain sales and absorb the effects of the high yen at the operating level.

Thanks to a substantial profit on financial items, such as sales of marketable securities, Nissan was able to show a pre-tax profit of Y38.6bn, down 55.4 per cent on Y86.5bn in the previous six months. Net income fell almost 40 per cent to Y26.4bn, while earnings per share were Y12 compared with Y19.66 last time.

The company said foreign exchange losses in the period amounted to Y140bn, with lower vehicle sales contributing another Y16bn to the operating loss. The loss was reduced by Y80bn, however, Nissan said, because of cost-cutting, productivity gains and expense cuts.

"We are doing everything in our power to tackle the top priority issue of domestic sales through such programmes as restructuring marketing organisations and dispatch of Nissan personnel to its dealers as reinforcements."

Nissan said it believed that the current fiscal year would mark a bottoming out of the downward trend and that profits would improve next year.

De Benedetti buys 25% stake in Yves St Laurent

BY PAUL BETTS IN PARIS

MR CARLO DE BENEDETTI, the Italian financier and entrepreneur, is acquiring a 25 per cent stake for FFr 255m ($38m) in Yves St Laurent, the leading French fashion house.

This latest French investment by Mr De Benedetti's French holding company Cerus comes at a time when the Italian entrepreneur is launching a series of investment and financial operations in France.

Moreover, the association between Mr De Benedetti and Yves St Laurent, which for the past 25 years has been held only by the fashion designer and his partner Mr Pierre Berge, is also expected to be followed up by a joint bid for control by Mr De Benedetti and Yves St Laurent for Charles of the Ritz, the perfume and cosmetic subsidiary of the US Squibb group.

Squibb has already indicated it wants to shed Charles of the Ritz which owns the Yves St Laurent line of perfume. Although Mr Berge declined yesterday to comment on a possible bid, Yves St Laurent and Mr De Benedetti are understood to be considering acquiring Charles of the Ritz in a complex operation involving also a management buy-out by the existing management of the cosmetics group.

The overall transaction would involve about $630m and would see Mr De Benedetti's Cerus holding and Yves St Laurent each owning a 40 per cent stake in Charles of the Ritz, with the remaining 20 per cent owned by the group's existing management.

However, the Italo-French partnership is expected to face competition for the Squibb subsidiary including, among others, from Investcorp, a group which represents Arab investors.

Meanwhile, Mr De Benedetti's main Italian holding company (Cir) was floated on the Paris bourse this week. Cir is also due to be listed in Frankfurt and Brussels and later in London. Mr De Benedetti, who is also chairman of Olivetti, will also seek a listing today on the French second market for Olivetti-Logabax, the Italian computer and office equipment group's French subsidiary.

Mr De Benedetti's deal with Yves St Laurent comes barely a week after the Italian entrepreneur's disappointment about the French takeover saga over Presses de la Cité, the second largest publishing group in France, now expected to come under the control of Sir James Goldsmith's Générale Occidentale French group.

Mr Berge said yesterday that Yves St Laurent expected to report net earnings of about FFr 65m on sales of FFr 262m this year compared with earnings of FFr 56.2m on sales of FFr 266m last year.

Earnings at KLM fall 16% in first half

By Laura Raun in Amsterdam

KLM Royal Dutch airlines, the Netherland's flag carrier, reported a 16 per cent fall in earnings to Fl 255.5m ($110m) in the first half of fiscal 1986 from Fl 303.7m a year earlier due to severe competition in the industry.

Profit margins on the North Atlantic routes – where KLM derives a large portion of income and where margins were already thin – have been squeezed even more by lower fares, slashed in a bid to regain passengers. American tourists have been reluctant to fly to Europe because of fears of terrorism, the Chernobyl nuclear accident and the weak dollar.

Growth in passenger traffic, which has a higher profit margin, has also lagged behind that of freight traffic, which yields less profit. In the April to September period the number of passengers rose only 5 per cent compared with 8 per cent for freight.

KLM has recently moved quietly away from its earlier support for deregulation of the airline industry. The Netherlands and Britain have been among the most ardent advocates of an "open skies" policy.

Income fell 11 per cent to Fl 2.9bn in the first half of fiscal 1986-87 from Fl 3.26bn in the year-earlier period, even though traffic – comprising passengers, freight and post – rose 6 per cent. The occupancy rate – the number of seats sold out of the total available – was stable at 67.4 per cent compared with 67.8 per cent, but the lower dollar eroded turnover when translated back into Dutch guilders.

Overall costs in the April to September period fell at about the same pace as income declined, kept down by the 49 per cent plunge in fuel costs due to cheaper oil and a weaker dollar.

Fletcher launches NZ$1.5bn bid for NZ Forest Products

BY DAI HAYWARD IN WELLINGTON

FLETCHER CHALLENGE, the New Zealand building and farming group, yesterday unveiled a NZ$1.5bn (US$755.8m) takeover bid for NZ Forest Products. The offer, the largest yet seen in the local market, would also create a dominant grouping in the country's rural sector.

Fletcher, already New Zealand's largest company in terms of sales, owns Tasman Forestry, which ranks second to NZFP in the domestic timber and paper industry.

Although the NZFP directors responded yesterday by saying they needed more time to consider, it is believed that the two companies have held discussions. Sir Ron Trotter, Fletcher chairman, was anxious to describe the move as more of a "friendly bringing together" than a takeover.

The offer is six Fletcher Challenge shares for every 10 NZFP shares, plus 10 cents cash for each share. Alternatively, shareholders could accept NZ$3.60 cash for each of their shares.

Fletcher Challenge already owns 53.25m shares, equivalent to 13.1 per cent of NZFP.

Sir Ron said the Fletcher Challenge bid had been motivated by the desire to keep control of New Zealand's timber resources in local hands. Earlier this week there were reports that an unnamed buyer, believed to be Australian, was aiming to acquire 10 per cent of NZFP.

At the same time Wattie Industries, which has a 24 per cent holding in the target company, said it planned to sell this stake. It was thought in New Zealand that this could provide an overseas company with a substantial stake in the country's leading forestry company, which is a large exporter of pulp and paper.

Sir Ron said that a merger would bring improved efficiency in transport and also in buying operations. However, the main benefits would be long term.

Fermenta disciplined again by Swedish stock exchange

BY KEVIN DONE, NORDIC CORRESPONDENT, IN STOCKHOLM

FERMENTA, the troubled Swedish antibiotics and animal health group, has been disciplined for the second time in six months by the Stockholm stock exchange for breaches of its listing contract.

At the end of May Fermenta barely escaped expulsion from the stock exchange and last night the authorities again censured the company for issuing inadequate information to the stock market.

The stock exchange said it would release details of its charges against Fermenta next Friday.

Trading in Fermenta shares was suspended yesterday for a record seventh time since the beginning of the year as the stock exchange board met for several hours to consider Fermenta's latest wrongdoings. Trading will be resumed today.

The board decided yesterday to fine Fermenta twice its annual registration fee, compared with the maximum fine of 10 times the registration fee that was imposed in May.

Fermenta and Mr Refaat El-Sayed, the company's main shareholder and group chief executive, have been surrounded by controversy for much of the year. In May the authorities said that the company had come within a hair's breadth of being expelled for what it called "inexcusable" breaches of its listing agreement.

The stock exchange board said then that ever since Fermenta was launched on the stock market in the summer of 1984 Mr El-Sayed had engaged in large-scale trading in Fermenta shares on his own behalf.

It said he had issued selective information and that announcements from the company itself had created a "misleading picture" of its activities.

Confidence in Fermenta – previously a star performer on the Stockholm stock market – has been badly shaken this year and from the beginning of January to the end of October its share price has fallen about 42 per cent in a period when the Stockholm general index has risen by about 58 per cent in a strong bull market.

Unit trusts in Italy record low intake

By Alan Friedman in Milan

ITALY'S unit trusts, which have become more prominent on the Milan bourse since starting up two years ago, recorded the lowest net intake of the year in the month of October.

The net flow of savers' funds to the 45 unit trusts, which are managed by 33 institutions, totalled L1,747bn ($1.2bn) in October. The gross inflow was actually little changed from September and came to L2,689bn but redemptions of L942bn brought the net figure down.

Financial analysts in Milan said yesterday that the dip in October was not a cause for concern and pointed out that redemptions still totalled only 1.5 per cent of total funds of L64,294bn. The total funds represent twice the level of 12 months ago when the Milan stock market surge was still in high gear.

Analysts said that the gross inflow of about L2,689bn a month appeared to represent the average which could be expected over the next three to six months, which was still seen as a healthy rate of growth for the unit trusts.

None the less, the unit trusts, the portfolios of which generally consist of 30 to 50 per cent share certificates and the balance in government bonds, have performed less well over the last few months than last year. This was because last year's boom on the market has now faded and a big shake-out last spring saw only modest oscillations in share prices.

McDermott hit by fall in demand for drilling

BY CHARLES HODGSON IN NEW YORK

MCDERMOTT International, the US energy services company, yesterday reported a second quarter net loss of $32.25m, or 87 cents a share, compared with a $357,000 profit, or 1 cent a share, in the year-ago period.

The company, which has been hit by the downturn in drilling activity, reported revenues of $853.4m compared with $802.9m in the 1985 quarter.

At the six-month stage, McDermott showed a net profit of $189m or $5.11 a share, against a loss of $720,000 in the same period last year.

Six month revenues were $1.64bn compared with $1.57bn.

Mr James Cunningham, chairman, said that all the company's businesses remained under pressure due to the depressed state of world energy markets.

● Halliburton, another leading US oil services company, earlier reported improved third-quarter results and said it was near break-even. The company showed a net loss of $7.2m, or 7 cents a share, compared with net income of $62.4m, or 57 cents a share, in the year-ago period.

Halliburton, which recorded a $524.6m loss in the second quarter – the largest quarterly loss for an oil services company – said the improvement stemmed from a reduction in its cost structure in response to the sharp decline in drilling activity.

Swiss Re group profits climb to record level

BY JOHN WICKS IN ZURICH

SWISS REINSURANCE of Zurich, saw group profits rise 20.8 per cent last year to a record SFr 145m ($85m). At the same time, parent-company net profits were up 18.1 per cent to SFr 119.5m, from which the board proposes payment of increased dividends of SFr 120 (1984: SFr 115) a share and SFr 24 (SFr 23) per participation certificate.

Gross premium volume of the Swiss Re group dropped by 3.3 per cent in 1985 to just under SFr 11.15bn. This was, however, due primarily to the weakness of the dollar and related currencies and also to what the Zurich parent calls a "cautious risk-acceptance policy."

According to company chairman Dr Walter Diehl, the underwriting loss of non-life re-insurance declined for the first time since 1979, falling 10 per cent during the 1984 peak to SFr 503m. The corresponding result for direct non-life insurance was a small underwriting profit of SFr 13m (1984: SFr 2m).

SBC plans European expansion

By John Wicks in Zurich

SWISS BANK is to expand its operations in continental Europe by bolstering its Frankfurt banking unit and forming a new subsidiary in Amsterdam.

The bank said yesterday that Schweizerischer Bankverein (Deutschland), SBC's existing Frankfurt bank, would be expanded with the intention of turning the subsidiary into one of the leading foreign banks in Germany.

The Frankfurt bank, which was opened last December and is active primarily in securities, new issues and trading, will double its capital to DM 200m. Securities transactions in D-Marks will be transferred from London to Frankfurt and Mr Rolf Levedag – formerly of Deutsche Bank in London – will join the bank's management.

Next year, a Munich branch will be opened to work mainly in securities trading and portfolio management. The formation of an investment-fund management company is also foreseen.

The new Dutch unit – SBC International Holland – will have an initial capital of Fl 25m ($10.7m). It will specialise in guilder securities business.

The bank expects a further improvement in earnings for this year, despite the weak dollar and sterling exchange rates. In the first three quarters, profits had been "substantially higher than for the corresponding period of 1985" and also above budget.

Unit sale puts Placer ahead

By Bernard Simon in Toronto

PLACER DEVELOPMENT, the Vancouver gold, base metals and energy producer, raised net earnings to C$113.7m ($87.4m), or C$2.63 a share, in the nine months to September 30 from C$20.5m, or 47 cents a share, a year earlier. Revenues rose from C$295.3m to C$332.2m.

The jump in profits was entirely due to gains from the sale earlier this year of 21.4 per cent of Placer's Australasian company, Placer Pacific, for C$90.1m.

Higher gold prices and bullion production were largely offset by the fall in oil and gas prices. Mr John Walton, president, said that a further short-term fall in gas prices was expected in the wake of the deregulation of the Canadian gas market on November 1.

Imasco faces slower growth

By Robert Gibbens in Montreal

IMASCO, in which BAT Industries of the UK has slightly more than a 40 per cent controlling interest, says earnings in the first half of fiscal 1987 were hit by price discounting in tobacco products and continuing problems with its US drugstore chain's distribution.

In the six months ending on September 30, Imasco had consolidated net revenues of C$2.26bn ($1.73bn), up from C$2.1bn a year earlier. Operating earnings were down 19 per cent due to weakness in Peoples Drug and tobacco products.

Company Notices

KLOOF GOLD MINING COMPANY LIMITED

(Incorporated in the Republic of South Africa)
(Registration No. 64/04462/06)
(Kloof)

GRANT OF NEW MINING LEASE

Members were advised by means of a press announcement on 4 June 1985 and a circular dated 19 July 1985 that this company had acquired certain mineral rights over property adjoining its existing mining lease area and that an application for a mining lease, comprising approximately 1,309 hectares and the incorporation of this extension into Kloof's existing mining lease area, would be submitted.

Kloof has been informed thet the Minister of Mineral and Energy Affairs has agreed in principle to the granting of such a lease (the Leeudoorn Division – since surveyed as 1,301 hectares) over portions of the farms Doornkloof 348 I.Q., Rietfontein 349 I.Q., Doornkloof 350 I.Q., Leeudoorn 351 I.Q., Weltevreden 357 I.Q., Wildebeestkuil 360 I.Q., and Devonia 363 I.Q., subject, inter-alia, to the lease area being incorporated and worked conjointly with Kloof's existing mining lease on the same terms and conditions as applicable to the existing mining lease.

Consequently and in terms of the agreement entered into with the Vendors, Kloof will issue to the Vendors, 140,000 shares of 25 cents each, which, upon allotment, will rank pari-passu with the existing issued shares of the company. Both the Johannesburg and London Stock Exchanges have agreed to the listing of these shares on their respective stock exchanges.

By order of the board
GOLD FIELDS OF SOUTH AFRICA LIMITED,
Secretaries,
per J.N. Chemaly

Johannesburg
6 November 1986

MEMBER OF THE GOLDFIELDS GROUP

BARCLAYS UNICORN INTERNATIONAL (CHANNEL ISLANDS) LIMITED.

BARCLAYS UNIGILT TRUST.

At a meeting of Unitholders held on 5th November 1986 approval was given to a Scheme of Amalgamation under which units in the above Trust would be exchanged for shares in the Unigilt class of Barclays Unicorn (Channel Islands) Investments Limited and to the cost of the amalgamation being met by the fund.

Similar approvals have also been given in respect of Barclays Unigilt (Jersey) Trust and Barclays Unigilt (Guernsey) Trust and the exchange of units for shares will therefore take place on 2nd December 1986.

BARCLAYS

INTL. COMPANIES AND FINANCE

N. AMERICAN QUARTERLIES

ADOLPH COORS
Brewer

Third quarter	1986 $	1985 $
Revenue	414.9m	405.3m
Net profits	18.8m	17.8m
Net per share	0.52	0.51
Nine months		
Revenue	1.04bn	1.00bn
Net profits	55.4m	45.6m
Net per share	1.54	1.30

BRASCAN
Electric companies, metal mining services

Nine months	1986 C$	1985 C$
Revenue	211.2m	207.8m
Net profits	93.5m	78.1m
Net per share	1.05	0.92

CENTEX
Housebuilding, property

Second quarter	1986-87 $	1985-86 $
Revenue	363.2m	375.9m
Net profits	14.1m	12.7m
Net per share	0.79	0.69
Six months		
Revenue	710.1m	726.1m
Net profits	27.6m	25.4m
Net per share	1.54	1.38

CIGNA CORPORATION
Insurance

Third quarter	1986 $	1985 $
Revenue	4.47bn	4.17bn
Op. net profits	146.9m	137.4m
Op. net per share	1.70	1.72
Nine months		
Revenue	12.55bn	11.96bn
Op. net profits	329.4m	154.8m
Op. net per share	3.88	1.70

CNA FINANCIAL
Insurance – controlled by Loews Corp.

Third quarter	1986 $	1985 $
Revenue	1.57bn	1.16bn
Op. net profits	74.9m	47.7m
Op. net per share	1.14	0.78
Nine months		
Revenue	4.52bn	3.29bn
Op. net profits	196.2m	122.4m
Op. net per share	3.04	2.08

* Excludes investment gains of $144m ($116m)

DOME MINES
Mining

Third quarter	1986 C$	1985 C$
Revenue	96.2m	77.0m
Op. net profits	10.1m	6.2m
Op. net per share	0.11	0.07
Nine months		
Revenue	276.0m	192.4m
Op. net profits	11.4m	3.3m
Op. net per share	0.13	0.04

ECHO BAY MINES
Mining

Third quarter	1986 C$	1985 C$
Revenue	41.8m	28.5m
Net profits	8.3m	4.8m
Net per share	0.20	0.12
Nine months		
Revenue	109.2m	81.8m
Net profits	21.9m	12.8m
Net per share	0.53	0.32

GENERAL PUBLIC UTILITIES
Electric utility

Third quarter	1986 $	1985 $
Revenue	697.7m	740.3m
Net profits	52.7m	35.2m
Net per share	0.84	0.56
Nine months		
Revenue	2.13bn	2.19bn
Net profits	147.5m	82.4m
Net per share	2.35	1.31

INTERNATIONAL FLAVORS & FRAGRANCES
Flavourings, fragrances

Third quarter	1986 $	1985 $
Revenue	164.9m	127.6m
Net profits	22.5m	18.2m
Net per share	0.60	0.60
Nine months		
Revenue	475.0m	378.7m
Net profits	68.7m	55.1m
Net per share	1.84	1.50

READING & BATES
Offshore drilling

Third quarter	1986 $	1985 $
Revenue	37.4m	55.3m
Op. net profits	†21.1m	†17.4m
Op. net per share	†0.84	†0.73
Nine months		
Revenue	138.8m	186.1m
Op. net profits	†58.2m	†28.5m
Op. net per share	†2.34	†1.13

† Loss

SOUTHERN COMPANY
Electric utility

Third quarter	1986 $	1985 $
Revenue	1.99bn	1.92bn
Net profits	317.2m	277.9m
Net per share	1.14	1.06
12 months		
Revenue	6.85bn	6.86bn
Net profits	869.2m	817.3m
Net per share	3.16	3.21

SOUTHLAND CORPORATION
Convenience stores franchiser

Third quarter	1986 $	1985 $
Revenue	2.3bn	2.3bn
Net profits	*183.8m	79.3m
Net per share	3.76	1.66
Nine months		
Revenue	6.5bn	6.5bn
Net profits	*176.9m	169.0m
Net per share	3.53	3.55

* Includes $84m gain on sale of investment

STALEY CONTINENTAL
Animal feeds

Nine months	1986 C$	1985 C$
Revenue	863.9m	749.5m
Net profits	18.2m	†15.4m
Net per share	0.63	†0.20
Year		
Revenue	2.39bn	2.71bn
Net profits	26.2m	6.7m
Net per share	0.88	0.19

† Loss

TRIANGLE INDUSTRIES
Packaging materials

Nine months	1986 $	1985 $
Revenue	1.88bn	1.18bn
Net profits	*15.0m	32.5m
Net per share	0.79	2.12

* After $32.7m extraordinary charge

Commodore profits recovery continues

BY LOUISE KEHOE IN SAN FRANCISCO

COMMODORE International, the US personal computer manufacturer, continued its financial recovery with modest profits of $3.7m, or 12 cents a share, for the first quarter ended September 30. Last year, when the company faced severe financial problems, first quarter losses totalled $39.2m.

Sales rose to $176m from $159m, but were still significantly lower than the preceding quarter's $208m.

The figures represent Commodore's second quarterly profits performance after five periods of high losses. For fiscal 1986 the company reported losses of $127.9m.

Commodore overcame a major financial stumbling block last month when it reached an agreement in principle with its major lending banks to renew credit facilities of about $140m. The company has been holding talks with its banks for more than a year.

Commodore still faces a major challenge to increase sales of its Amiga personal computer. Introduced more than a year ago, the Amiga sold poorly last year, but sales have picked up in recent months according to industry analysts. In September, Commodore cut the price of the Amiga by $500 to $1,495.

There will be stiff competition from Apple Computer's recently announced Apple II GS. But Commodore may benefit from Apple's inability to meet demands for its new computer during the heavy Christmas selling season.

U.S. $60,000,000

Industrias Peñoles, S.A. de C.V.

Floating Rate Notes Due 1989

Interest Rate	10% per annum
Interest Period	22nd October 1986 / 22nd January 1987
Interest Amount per U.S. $10,000 Note due 22nd January 1987	U.S. $255.56

Credit Suisse First Boston Limited
Agent Bank

US$100,000,000
FLOATING RATE DEPOSITARY RECEIPTS DUE 1997
issued by The Law Debenture Trust Corporation plc evidencing entitlement to payment of principal and interest on deposits with

BNL

Banca Nazionale del Lavoro
(incorporated as an Istituto di Credito di Diritto Pubblico in the Republic of Italy)
London Branch

Notice is hereby given that the Rate of Interest for Coupon No: 6 has been fixed at 6¼% pa and that the interest payable on the relevant interest payment date, February 9, 1987 in respect of US$10,000 nominal of the Receipts will be US$163.19 and in respect of US$250,000 nominal of the Receipts will be US$4,079.86.

November 7, 1986, London
By: Citibank, N.A. (CSSI Dept), Agent Bank
CITIBANK

This announcement appears as a matter of record only. *October 1986*

TOPLU KONUT VE KAMU ORTAKLIĞI İDARESİ BAŞKANLIĞI – BAŞBAKANLIK TÜRKİYE CUMHURİYETİ
(The Directorate of Housing Development and Public Participation Administration – Prime Ministry of the Republic of Turkey)

ECU 115,000,000
Project Financing Term Loan
In connection with the design and construction of the Anatolian Motorway by:
Astaldi SpA

Under a contract awarded by:
The General Directorate of Highways, Ministry of Public Works and Settlement of the Republic of Turkey

Guaranteed by:
TÜRKİYE CUMHURİYETİ (Republic of Turkey)

Insured by:
SACE
Sezione Speciale per l'Assicurazione del Credito all 'Esportazione

With an interest subsidy granted by:
Mediocredito Centrale
Istituto Centrale per il Credito a Medio Termine

Lead managed by:
American Express Bank Ltd.
Banco di Napoli International S.A.
Bankers Trust International Limited
Al Saudi Banque
Banca Nazionale del Lavoro International
Banco di Roma International S.A.

Managed by:
SanPaolo-Lariano Bank SA

Co-managed by:
Credito Italiano International Ltd.
Girozentrale und Bank der Österreichischen Sparkassen Aktiengesellschaft
ITAB Group Limited

Provided by:
American Express Bank Ltd.
Banco di Napoli International S.A.
Bankers Trust Company
Al Saudi Banque
Banca Nazionale del Lavoro International
Banco di Roma International S.A.
SanPaolo-Lariano Bank SA
Credito Italiano International Ltd.
Girozentrale und Bank der Österreichischen Sparkassen Aktiengesellschaft
ITAB Group Limited
Banco de Bilbao SA (Paris Branch)
Inter Maritime Bank

Italian Financial Advisor:
Alpha – CSE

Italian Paying Agent:
Banco di Napoli

Arranger and Agent:
AMERICAN EXPRESS BANK

This announcement appears as a matter of record only. *October 1986*

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T.C. Ziraat Bankası
Al Saudi Banque
Banca Nazionale del Lavoro International
Banco di Roma

Managed by:
Istituto Bancario San Paolo di Torino, London Branch/SanPaolo-Lariano Bank SA

Co-managed by:
Credito Italiano, London Branch
Türkiye Halk Bankası A.Ş.
Türkiye İş Bankası A.Ş.
Girozentrale und Bank der Österreichischen Sparkassen Aktiengesellschaft
Banca Popolare di Milano, New York Branch

Provided by:
American Express Bank Ltd.
Banco di Napoli
Bankers Trust Company
T.C. Ziraat Bankası (New York)
Al Saudi Banque
Banca Nazionale del Lavoro International
Banco di Roma
Credito Italiano, London Branch
Türkiye Halk Bankası A.Ş.
Türkiye İş Bankası A.Ş.
Girozentrale und Bank der Österreichischen Sparkassen Aktiengesellschaft
Istituto Bancario San Paolo di Torino, London Branch
SanPaolo-Lariano Bank SA
Banca Popolare di Milano, New York
The Mitsui Trust and Banking Co. Ltd.
Malayan Banking Berhad
Inter Maritime Bank
Banco de Bilbao (Deutschland) AG
Banco de Bilbao (Suisse) S.A.

Italian Financial Advisor:
Alpha – CSE

Agent:
Bankers Trust Company

Arranged by:
AMERICAN EXPRESS BANK

INTL. COMPANIES and FINANCE

False teeth shine bright in Japan

Yoko Shibata on the prospects for a market serving a growing elderly population

BY THE early part of the next century, the false teeth market in Japan should be as hig as today's motor market, according to Mr Noboru Makino, chairman of the Mitsubishi Research Institute (MRI), Japan's largest private think tank.

This startling forecast is based partly on the premise that the Japanesa are becoming more conscious of dental care, but mainly on the knowledge that the population is ageing rapidly.

Life expectancy is now 74.54 years for men and 80.18 years for women. MRI expects that by 2020, the Japanese population over 65 will account for 20 per cent of the total, almost double the 10.3 per cent at present. But while people are living longar, human teeth will continue to have an average service life of only about 50 years.

All of this has not escaped the attention of Japan's ever restless manufacturers. Now stymied in their export drives, they are being encouraged to develop products that appeal mainly to the domestic market. And economists hava been suggesting in particular that they look for products that would appeal to the rapidly growing numbers of old peopla.

Tha false tooth market looks made to order. MRI calculates that even if each housahold buys *only ona artificial* tooth, tha market would be worth Y10,000bn ($62.5bn) a year.

Industry forecasts indicate that the market could swall to Y30,000bn, compared with a car market currently valued at Y24,000bn.

Prominent among the companies that have got into this business already are those that have specialised in ceramics, such as Kyocera, Asahi Optical and Sumitomo Chemical. And their strategy has been to enter by developing new products.

The biggest problem associated with false teeth has been atrophy of the lower jawbone. Appliances fixed to the gum surface allow the jawbone to shrink so that soon the tooth no longer fits properly. Thus, this kind of tooth usually has to be replaced after two or three years.

Tha answer was an artificial tooth root, which first appeared on the market in 1979. An artificial bone is embedded into the jawhone, and becomes the base on to which the crown is fixed. Kyocera, the world's largest maker of integrated circuit ceramic packages, introdnced in 1979 an alumina-based ceramic dental root together with ceramic bone. It claims that 70,000 patients have installed them already.

Asahi Optical, known best as the maker of Pentax cameras, joined the market in 1984, with the introduction of a new material, Apaceram, mada from hydroxy-apatite, for artificial dental roots. Apaceram is not as strong as Bioceram, a glass type of ceramic, but it has the same composition as human bones and so is able to function as living tissue.

It encourages the redevelopment of bone tissue between the tooth roots, so that eventually the jawbona and tha artificial roots knit together.

Apaceram is the fruit of e joint research and development project done with the Tokyo Medical and Dental University with funding from the Government's Research Development Corporation of Japan.

A technique for coating metal with apatite and hiograss has been developed indapendently by Nippon Kohaku, the makar of Nikon camaras, and Sumitomo Chemical. Artificial teeth mada in this fashion are safe from the rejection problem. Indeed, bone and tisua grow on it. Its material has been clinically tested at many universities, including tha University of Florida, and both companies ara hoping to release it for genaral use next yaar.

Sumitomo Chamical claims that its method, using plasma injection to give apatite a strong mantel, provides the best strengthening technique. The company claims it is the closest thing yet to the perfect replacement for natural teeth, and aims to capture one-third of the artificial tooth market.

TDK, tha world's largest maker of magnetic tapes, said this summer that it would seek the Ministry of Health and Welfare's authorisation to market its newly developed dental filling materials based on hydroxy calcium apatite. It is planning to market the dental materials under the brand name Bonetight.

Other companies engaged in artificial dental root development are Sumitomo Cement, Kureha Chemical, Nippon Tokushu Kogyo and Noritska with apatite-based products. Nippon Electric Glass, Kyoshu Tokushu Taika Renga (a brick maker) and Hoya Glass produce crystalline glass-based products.

The future growth of tha artificial teeth market depends on the extent to which extracted teeth can be replaced by new products. Today, according to the Dental Association of Japan, about 30m teeth are extracted yearly in Japan. The manufacturers are now trying to convinca dentists to offer an artificial root every time a patient has a major problem.

"Even befora the next century, tha Japanese nation will have its mouths full of artificial dental roots," a director of Kyocera predicted.

JAL chairman under fire as profits decline

BY CARLA RAPOPORT IN TOKYO

MR JUNJI ITOH, the chairman of Japan Air Lines, is riding through a rongh patch of turbulence at the moment.

Japan's flag carrier yesterday reported that profits for tha first half of the year dropped by more than 50 per cent, largely because of tha effects of the high yen and the continued plunge in domestic traffic following last year's crash of a JAL Boeing 747. Nonetheless, it was the company's chairman, not its profits, that was making the news yesterday.

Mr Itoh — also chairman of Kanebo, the cosmetics group—was openly criticised by Mr Ryutaro Hashimoto, tha Transport Minister, this week for his ellegedly unfair treatment of some of JAL'a employee unions. Further, MoT officials themselves have become irritated with Mr Itoh for his alleged failing to inform govarnment officials of his whereabouts during the working week.

The move is an extremely unusual one for Japan, as Mr Itoh had been recommended for the JAL joh hy Mr Yasuhiro Nakasone, the Prime Minister, following last year's crash. JAL, which is 34.5 per cent owned by the Government, has been targeted for privatisation next year. As a result, government officials are keen to have management-employee relations running smoothly.

According to industry officials, Mr Itoh had given promotions to some members of left-leaning labour unions within JAL. This had irritated more moderate unions, which in turn protested to leading politicians.

Mr Itoh yesterday said ha would endeavour to keep his Kanebo and JAL activities separate and would work with other senior JAL officials on schemes for restructuring the company in preparation for privatisation.

Meanwhile, JAL's results for the six months to September show turnover down by 11 per cent to Y400.6bn ($2.4bn) whila pre-tax profits halved to Y10.8bn from Y21.3bn last year. Net earnings for the period wera 79 per cent down at Y1.9bn.

Tha company forecasts pre-tax profits for tha full year of Y600m, compared with losses of Y1.6bn last year. Sales are expected to drop to Y768.4bn, compared with Y823.9bn.

"All in all, JAL is preparing for the npcoming complete privatisation of its operations with unprecedented efforts to strengthen all phases of corporate management," the company said yesterday.

Hitch for Feltex Email bid

BY ROBERT KENNEDY IN SYDNEY

FELTEX New Zealand's A$400m (US$257m) scrip offer for Email, Australia's dominant white goods manufacturer, suffered a setback yesterday when the Canberra Trade Practices Commission raised objections to the proposal.

Mr Boh McComas, commission chairman, told Feltex it believed that an acquisition of the company by Feltex would contravene Australian law because Feltex would be in a position to dominate the supply of white goods products, mainly refrigerators and freezers.

The commission believes an association exists between Feltex and a New Zealand white goods group, Fisher and Paykel, because of a commoo shareholding link through Equiticorp Holdings, the aggressive investment company.

The pronouncement came on the eve of Feltex's intended despatch of takeover documents to Email shareholders.

JAPANESE RESULTS

SANKYO
Pharmaceuticals

half-year to	Sept '86 Y	Sept '84 Y
Revenues (bn)	138	126
Pre-tax profits (bn)	13.44	11.87
Net profits (bn)	4.89	4.30
Net per share	16.53	14.56
Dividend	3.75	3.75

PARENT COMPANY

SUMITOMO ELECTRIC INDUSTRIES
Wires, cables

Half-year to	Sept '86 Y	Sept '85 Y
Revenues (bn)	261	254
Pre-tax profits (bn)	10.11	9.63
Net profits (bn)	5.79	5.27
Net per share	9.90	8.27
Dividend	3.50	3.50

PARENT COMPANY

INTERNATIONAL CAPITAL MARKETS and COMPANIES

Queue forms for BankAmerica unit

FOR SALE: Medium-sized Italian bank subsidiary of big US banking group, complete with 98 branches up and down the country, total deposits of $2.4bn, successful consumer credit business and a return on assete double the average in Italian banking.

IF THAT offer sounds attractive, then it will not be e surprise that the qneua is forming among both Italion and foreign banks which are keen to snare the Milan-based Banca d'America e d'Italia.

Offers have heen ponring in ever since word first leaked out at the end of the summer that the troubled BankAmerico group was considering the sala of its 67-year-old Italian subsidiary (known in Italy as "La

First off the mark was the Turin-hased Istituto San Paolo di Torino, e publicly-owned bank which is actually one of the best managed In Italy. But the Bank of Italy is understood to have told San Paolo that it does not want BAI to be absorbed by a state hank. The central bank prefers that BAI remain in private hands.

Next came soundings from the two giants of Italian capitalism, Mr Gianni Agnelli, whose IFI family holding company was interested in the BankAmerica subsidiary, and Mr Carlo de Benedetti, whose Cofide holding company also wanted the bank. Once again the Central Bank in Rome let it be known that industrial holding companies were not suitable owners of the hank.

BAI's potential suitors then began coming from ebroad — among those currently eyeing the bank are Citicorp, the US bank which already controls a small regional bank hased in Naples, West Germany's Deutscha Bank and Dresdner Bank, Midland Bank of the UK and Banca Commerciale Italiana (BCI), the state hank which is Italy's second biggest financial institution. BCI should, in theory, be excluded by the same rules which opply to San Paolo, but BCI's political and financial muscle is such that the Central Bank might have e more difficult time saying no.

Many suitors have expressed an interest in Banca d'America e d'Italia, including Mr Gianni Agnelli and Mr Carlo De Benedetti. ALAN FRIEDMAN outlines the attractions of the BankAmerica unit

What, however, is it that makes BAI so very attractive to all of these suitors? The answer is fourfold.

● First, for any foreign bank which lacks a domestic lira deposit base and must therefore rely on costly money from the Lira interbank market to fund its lending business, here is $2.4bn of deposits ready for action.

● Second, BAI'a 98 branchea are spread in most major regions of Italy, from the wealthy industrialised northern provinces of Lombardy, Piedmont, Liguria and the Veneto to Rome, Naples and points further south. Tight central bank restrictions on branching in Italy make BAI an unusual animal in the Italian banking system, an institution with a national, albeit small, hranch network.

● Third, aside from the deposits, BAI also bas a solid retail customer base and 20 years of experience in consumer credit. BAI also has 1.3m holders of the Visa-BankAmericard charge card, which is more than three times the level of American Express cards in circulation in Italy.

● Fourth, BAI has abont 50 per cent of its loan book in middle market corporate finance and a Luxembourg subsidiary which is active in foreign currency lending to medium-sized Italian companies.

The San Francisco BankAmerica head office wants to raise cash by divesting itself of the Itallan Bank — a move that makes sense. The qnestion is how much can San Francisco reasonably expect for BAI?

The unofficial asking price is around L900bn ($630m). That price reflects the attractions of BAI, but mora relevantly reflects the high premlums paid in takeovers in the Italian banking system. When Italian banks ere sold, they generally go for net book value plus 12 or 13 per cent of total deposits.

BAI's net worth (equity plus retained earnings) comes to around L400bn. Add 13 per cent of its deposits and the price jumps to L850bn. San Francisco bead office wants even more thet thet.

The Milan-based BAI made a net profit last year of L47bn and this year expects more than L50bn. Its return on assets is 0.9 per cent, against an Italian average of 0.4 or 0.5 per ceot. But the asking price is still seen by many bankers as high.

On the nnofficial over-the-counter share market in Milan, where a paltry 3 per cent of BAI shares are held, the BAI share price is now L15,000 a share. The L900bn asking price is based npon a price of around L10,000 a share for each of the 92m BAI shares. So the Milan market, feverish with excitement over prospects of the sale, has already hoosted the shares by 50 per cent in recent weeks. Fortunately, for the potential buyer, the over-the-counter price is not important.

The BAI saga seems likely to run until Christmas. It could also be affected ehould Citicorp's intarest in taking over BankAmerica ltself materialise. Citicorp would almost certainly not wish to sell the Italian subsidiary if it took over BankAmerica, while the bead office in San Francisco, if it succeeds in remaining independent on a global basis, clearly sees the Itelian disposal as a bandy capitol gain.

NORTH AMERICAN QUARTERLY RESULTS

STALEY CONTINENTAL
Animal feeds

	1986-87	1985-86
Fourth quarter	$	$
Revenue	663.9m	749.5m
Net profits	16.2m	†5.4m
Net per share	0.63	†0.20
Year		
Revenue	2.99bn	2.71bn
Net profits	26.2m	6.7m
Net per share	0.88	0.19

† Loss

TRIANGLE INDUSTRIES
Packaging materials

	1986	1985
Third quarter	$	$
Revenue	1.88bn	1.18bn
Net profits	†15.0m	32.5m
Net per share	0.79	3.12

* After $32.7m extraordinary charge.

WENDY'S
Fast Food Restaurants

	1986	1985
Third quarter	$	$
Revenue	293.6m	303.4m
Net profits	†47m	21m
Net per share	†0.49	0.22
Nine months		
Revenue	866.5m	830.2m
Net profits	†6.8m	57.8m
Net per share	†0.7	0.62

† Loss

WHEELING-PITTSBURGH
Steel Group in Chapter 11

Third quarter	$ 1986	$ 1985
Revenue	228.7m	98.1m
Net profits	19.2m	†77.1m
Net per share	3.33	†15.48
Nine months		
Revenue	648.4m	693.9m
Net profits	46.1m	†124.3m
Net per share	7.76	†26.52

WM. WRIGLEY
Chewing Gum

Third quarter	$ 1986	$ 1985
Revenue	190m	164.2m
Net profits	15.4m	12m
Net per share	0.73	0.58
Nine months		
Revenue	533.9m	471.2m
Net profits	43.9m	35.6m
Net per share	2.08	1.69

ZENITH ELECTRONICS
Consumer Electronics

Third quarter	1986 $	1985 $
Revenue	513.8m	380.9m
Net profits	3.9m	†14.8m
Net per share	0.17	†0.64
Nine months		
Revenue	1.3bn	1.14bn
Net profits	†10.4m	†11.3m
Net per share	†0.45	†0.48

† Loss

Salomon sees big rise in US corporate earnings

BY TERRY BYLAND

A CONTINUING climate of disinflation, featured by further modest falls in US interest rates and further restructuring of the industrial and financial sectors, is the near-term view of tha US economy seen by Salomon Bros, the Wall Street investment bank and securities trading house.

Mr Robert Salomon, managing director of Salomon Brothers' stock research department, told clients in London yesterday that profits of the Standard and Poor's 500 index companies could rise by as much as 20 per cent next year. Net corporate earnings were restrained last year by substantial asset write-offs, which were themselves an indication of tha depth of the restructuring of US industry, he said.

Salomon's earnings projections are more optimistic than those of some of their Wall Street rivols. Mr Salomon expected the restructuring of major sectors of US business, which has featured sell-offs of real estate and other tangible assets by major companles, to provide them with substantial leverage at the level of operating profits.

The process of reshaping US industry for a disinflationary environment had been greatly assisted by deregulation of such major sectors as the US securities, transport and healthcare industries. Deregulation had inevitably lead to increased competition and lower prices, he said.

Citicorp issues perpetual FRN

By Peter Montagnon, Euromarkets Correspondent

CITICORP yesterday became the first US bank to Issue a perpetual floating rate note (FRN) in the Euromarkets with a $500m issue led by Goldman Sachs.

Launch of the deal follows a decision earlier this year by the US Federal Reserve Board to allow such issues to ha treated as primary capital when US banks calculate their gearing ratios.

Tha Fed'a initial decision did not lead to a rush of issues because interest paid on such borrowings would not normally be tax dednctible. Goldman said yesterday It had devised a structure to round this problem and which may open the way to further perpetual issues by US banks.

The essential feoture is e pnt option which allows investors to redeem the paper after 30 years. This gives the deal a theoretical finite life so thot the Internal Revenue Service will allow interest payments to be tax deductible, while Fed rules permit the borrowing to be treated as primary capital because the put option would be exercised against further paper issues rather than directly for cash.

The issue carries interest at a margin of ⅛ per cent above the London interbank bid rate for eurodollar deposits (Libid), e reletively generous yield whicb dealers said was necessary to ensure a positive reception in o floater market that bas been showing signs of pronounced weakness over the past few days.

Yesterday afternoon it was trading at a discount of 50 basis point from its par issue price, well within its 75 basis point fees though some dealers felt it may have been helped by lead manager support.

In other respects the issue carries a structure similar to thet adopted by UK banks for their own issues of perpetual floating rate notes. If Citicorp were to suspend all dividend payments on its common and preferred stock, interest payments on the bond would cease and be accrued until such time as dividend payments resume.

Investors prefer this formnla to that adopted by Canadian banks under their local regulations where interest payments on perpetual floaters can be reduced pro-rata with any cut in dividends.

$200m credits for DSM and Rhone-Poulenc

By Our Euromarkets Correspondent

RHONE-POULENC, the French chemicals concern, has launched a $200m, seven-year loan fecility in tha Euromarkets under the leadership of Societe Generale.

The deal is not specifically connected to the announcement earlier this week that It may buy the agrochemical assests of the US Union Carbide company, but bankers said that Its planned ocquisition had relsed the group's requirement for US currency finance generally.

The deal carries an annual facility fee of 4 bassis points and will allow Rhone Poulenc to sell short-term paper either in the form of Euronotes with a tender panel auction system or as commercial paper sold directly by itself as well as through designated dealers who have yet to be eppointed.

Drawings under the credit will carry interest at the London interbank offered rate for Eurodollar deposits, bot Rhone Poulenc will pay an additional otilisatioo fee of 4 basis points on drawings of up to $100m ond S basis points on higher amounts.

The credit carries a multicurrency option but It is expected to be drawn mainly in dollars.

DSM, the Dutch chemical and energy group, meanwhile also launched o $200m facility which is to be led by Amsterdam-Rotterdam Bank, Lloyds Merchant Bank and Morgan Guaranty.

Though Its operations are autonomous o fthe Dutch governmeot and its horrowings do not carry a formal state risk, DSM is wholly state-owned. Bankers said this gives the deal considerable rarity value as Dutch state paper is rare in tha Euromarkets.

The facility carries a maturity of seven years and balf of it will be committed or underwritten. It carries an annual fee of 5 basis points for the first five years, rising to 6¼ basis points thereafter. Drawings on the accompanying standby credit will be at Libor with e utilisation fee of uo to 10 hasis polnts depending how much is used.

DSM will use the fecility to issue Eurocommercial paper as well as Euronotes, Sterling Bankers Acceptanca and Multicurrency Advances to be auctioned through a tender panel.

Province of Alberta gets dealers' thumbs-up

BY HAIG SIMONIAN

THE Province of Alberta's introduction to the Euromarkets kept dealers busy yesterday, with a $750m straight issue—quickly increased from $500m—and a $500m floating rate oote.

Led by Morgan Stanley International, the 7⅝ per cent 1991 paper, priced at 100⅛, was launched at 81 hasis points over US Treasuries of similar maturity. The market gave it the thumbs up, and the issue was trading −1.60-1.65 by late afternoon. Otherwise, the straight dollar bond market was down about ⅛ per cent, deelers said, on still relatively low volume.

Led by Morgan Guaranty, the horrower's par priced seven-year FRN, callable after four years et par and paying 1/16 per cent over Libor, also went down quite well in a floating rate sector that was still recovering from Wednesday's falls.

Prices for floaters in the secondary markat were down between five and 10 basis points, according to dealers, with sovereign paper again worst hit. Soma investors were selling to make room for the Alberta paper. However, thare were also some bargain bunters out.

Brierley Investment Overseas, guaranteed by Brierley Investments Limited of New Zealand came with a $100m 8¼ per cent 1991 issue, priced at 100½ led by Credit Suisse First Boston. The parent is New Zealand's largest company by market capitalisation.

IBM Australia issued a A$50m 14¼ 1989 issue, priced at 101¼, led by Salomon Brothers, egainst market in Australian dollar paper that was holding np quite well on light volume, according to dealers.

Swiss Bank Corporation led a SFr100m 4⅝ per cent eight year issua for the Small Business Finance Corporation of Japan. Priced at 100¼, the paper is guaranteed by tha government of Japan.

As expected, Sankyo Aluminium Industry followed Wednesday's Eurodollar debut with a SFr50m 1992 par prlced convertible issue, led by Banca della Svizzera Italiana. The indicated coupon is 1¼ per cent and an indicated 1990 put at 106. Final terms will be set on November 11.

FAI Financial Services issued the first tranche SFr100m of a SFr200m 15-year issue, priced at par. Led by Soditic, final terms for the paper, with e 6 per cent indiceted coupon, will be set on November 12.

Japan limits private bond deals

BY YOKO SHIBATA IN TOKYO

JAPANESE BANKS and securities houses have reached agreement on new rules to limit the private placemenl of bonds by non-residenl borrowers.

Under the new agreement, which represents something of a compromise between the securities bouses and the banks, private placements will be limited to one third of the face value of a borrower's publicly issued bonds of all types, including dollar-denominated (Shogun) and dual currency bonds.

The new rules will also apply to private placements by the World Bank and other supranational institutions of which Japan is a member.

Private placements in the Tokyo market have gained in popularity following the lifting of the "no return" rule, introduced last February, whereby borrowers which had made public issues in the Samurai market were not permitted to tap the private market.

In the January-June period, private placements totalled Y141.5bn ($863m), or 37 per cent of the volume of public bond issues during the same period. This was due partly to the deterioration of the public market and partly to the fact that two exceptionally large issues were privately placed – for the World Bank and the Asian Development Bank.

Another sovereign-quality borrower, the National Bank of Hungary, dropped plans for a Samurai issue and brought a private placement instead.

The Japanese authorities have shown concern recently at the virtual stagnation of the primary market in public issues for corporate borrowers since July. Among the steps taken to reduce the relative weighting of private placements as against public issues has been the inclusion in the latter category of such instruments as Shogun bonds and dual currency bonds. In addition, the issues brought by the supranational institutions have been left out of the reckoning so as to make the volume of private sector borrowers' public bond issues appear greater.

At the heart of the problem lies the clash of interests between banks and securities companies. Japanese banks and other institutions, such as insurance companies, have recently become active as lead managers and arrangers of issues in the private placement market, in which securities houses are banned from buying paper for investment purposes.

The new agreement between the banks and securities houses calls a ceasefire for the time being over the handling of privately placed notes, but the securities houses are expected to reopen the issue before long.

FT INTERNATIONAL BOND SERVICE

Listed are the 200 latest international bonds for which there is an adequate secondary market.
Closing prices on November 6

US DOLLAR STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Amer. Express 7¾ 93	100	†96½	97	−0½	−0¼	8.26
Amoco Company 9¼ 16	200	103½	104	−0⅛	−0⅝	9.36
Australia Com. 11 95	200	†113¾	114⅛	−0½	+0⅛	8.58
Australia Com. 11¼ 00	100	114¼	115⅛	+0⅛	+1	9.25
BP Capital 9¼ 94	100	104⅝	105⅛	−0⅛	+0⅛	8.20
British Telecom 7⅝ 96	250	96⅛	96⅝	−0¼	0	8.17
Campbell Soup 10½ 95	100	111⅞	112⅛	−0⅛	0	8.48
Canada 9 96	1000	106	106½	+0⅛	−0⅛	8.01
Canadian Pac. 10¼ 93	100	109⅛	109⅝	0	−0⅛	8.77
CEPME 10⅛ 91	100	108¼	109⅛	−0⅛	0	7.86
Citicorp 8⅝ 93	200	98	98½	−0⅛	+0⅛	8.59
Credit Lyonnais 9 91	200	104⅞	105⅛	−0⅛	+0⅛	7.58
Credit National 9⅛ 93	150	105⅛	105⅞	−0⅛	−0⅛	7.94
Daiwa Securities 2⅝ 91	120	†79	79½	0	−0⅛	11.76
Denmark Kingdom 7¾ 93	250	98½	99⅛	−0⅛	−0⅛	7.99
Denmark Kingdom 8⅛ 91	300	102½	103	−0⅛	−0⅛	7.51
Deutsche Bank Fin. 8 96	110	97¾	97¾	−0⅛	−0⅛	8.32
EDC 8½ 92	100	103½	104	−0⅛	−0⅛	7.61
EEC 8¼ 96	100	101⅞	102⅛	0	0	7.92
EEC 8⅝ 91	150	105	105½	−0⅛	+0⅛	7.24
EEC 9⅛ 90	350	105⅞	106⅛	−0⅛	0	7.45
EIB 10¼ 94	200	110⅞	111⅛	−0⅛	0	8.30
EIB 12 95	200	123¼	123⅝	−0⅛	0	8.06
Eurofima 7⅞ 91	100	101½	102	−0⅛	+0⅛	7.29
Export Dev. Cpn. 10 90	100	108⅝	109⅛	−0⅛	−0⅛	7.07
Finland 7½ 93	200	98	98½	−0⅛	−0⅛	7.83
Ford Motor Cred. 10½ 91	150	109¾	110⅛	−0⅛	−0⅛	8.00
Ford Motor Cred. 11⅛ 90	100	110	110½	−0⅛	0	7.49
Gen. Elec. Cred. 10¼ 00	200	107⅛	107⅝	0	0	9.26
GMAC 10¼ 89	200	107¼	107⅝	−0⅛	−0⅛	6.94
GMAC 8½ 93	200	101⅝	102⅛	−0⅛	0	8.11
IADB 9⅞ 95	200	110⅛	110⅝	−0⅛	+0½	8.17
Liberty Mutual 8½ 96	150	101⅛	101⅝	0	+0⅛	8.26
LTCB of Japan 8 91	100	101⅞	102⅛	−0⅛	+0⅛	7.47
Merrill Lynch 8¾ 91	100	103⅞	104⅛	−0⅛	+0⅛	7.73
Mercds.-Benz Cred. 7½ 95	100	100	100½	−0⅛	0	7.44
Nth. Amer. Philips 8 93	100	97½	98⅛	+0⅛	+0⅛	8.44
Norway Kingdom 7⅛ 91	500	99⅝	100⅛	−0⅛	0	7.27
Pepsico Inc. 7¼ 93	200	97⅛	97⅝	−0⅛	+0⅛	7.89
Proct. & Gamb. 'A' 9⅞ 92	150	106½	107	−0⅛	−0⅛	8.41
Qantas Airways 10¼ 95	140	110½	111	−0⅛	+0⅛	8.56
Queensland Govt. 10¼ 93	100	109⅛	109⅝	0	+0⅛	9.61
Ralston Purina 11¼ 95	150	113½	114⅛	0	0	9.25
Saab Scania 9½ 91	125	105½	106	−0⅛	−0⅛	7.85
Saskatchewan 10¼ 92	100	111⅞	112⅛	−0⅛	0	7.85
Shikoku Elec. Pwr. 8¼ 93	70	*†108⅛	108⅝	0	+0⅛	6.60
State Bk. S. Aust. 9⅛ 93	100	104⅛	104⅝	−0⅛	+0½	8.28
Statoil 10 90	170	108⅞	108⅛	−0⅛	−0⅛	7.32
S. Wales Try. 11¼ 90	150	111½	112⅛	−0⅛	0	7.74
Swed. Exp. Cred. 10 92	100	110¼	110⅞	0	−0⅛	7.60
Sweden 8¼ 96	200	104⅛	104⅝	−0⅛	+0⅛	8.06
Sweden 10¼ 92	250	112	112½	−0⅛	−0⅛	7.64
Sweden Kingdom 10⅞ 90	200	110⅞	111⅛	0	+0⅛	7.16
Sweden Kingdom 7 91	250	96⅝	96⅞	−0⅛	−0⅛	7.34
Toyota Motor Cred. 8 89	100	102⅞	103⅛	−0⅛	0	6.75
Victorian Rep. 11⅝ 92	150	114¼	114¾	−0⅛	0	8.21
World Bank 8½ 16	150	†94½	95	0	+1	9.00
World Bank 9¼ 16	300	†101¼	101⅝	+0⅛	+0⅛	9.18
World Bank 9⅝ 16	300	*†103½	103½	0	0	9.39
World Bank 10¼ 95	300	113¼	113⅞	−0⅛	−0⅛	7.89
Yasuda Trust Fin. 8½ 93	200	101½	101	−0⅛	+0⅛	8.13

Average price changes on day −0⅛ on week +0

DEUTSCHE MARK STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Asian Dev. Bank 0 94	200	106¼	107⅛	+0⅛	0	6.02
Austrian Elec. Co. 6½ 95	150	98⅝	99⅛	+0⅛	0	6.65
BMW 5¾ 96	200	91⅝	92⅛	−0⅛	+0⅛	6.39
Daimler Benz Int. 5¾ 01	500	91½	92¼	+0⅛	+0⅛	6.63
Dow Chemical 5⅞ 96	300	92⅝	93⅛	+0⅛	+0⅛	6.63
Dow Chemical 6¾ 95	300	102	102½	0	−0½	6.39
EIE 5½ 98	150	98¼	98⅞	+0⅛	−0⅛	6.69
EIB 6⅞ 95	300	102	102½	+0⅛	+0⅛	6.52
EIB 7¼ 94	300	104⅛	104⅝	−0½	+0⅛	6.51
Emhart Corpn. 6¾ 95	175	100⅝	101¼	0	+0⅛	6.62
Eurofima 6¼ 96	100	97¾	98¼	+0⅛	−0⅛	4.57
Ex.-Im. Bk. Korea 7⅝ 90	100	104¼	104⅞	−0⅛	−0⅛	6.19
Finland Republic 7 92	200	104¼	104⅞	+0⅛	+0⅛	5.96
Hoesch Intl. Fin. 7 95	100	101½	101⅞	0	+0½	6.77
Hydro Quebec 5½ 96	125	92⅞	93¼	+0⅛	+0⅛	6.54
Hydro Quebec 6 16	150	85	85¼	+0⅛	+0⅛	7.20
IBJ 5⅞ 96	200	92⅞	93½	+0⅛	−0⅛	6.62
Ireland 8⅛ 92	150	106¼	107	+0⅛	+0⅛	6.64
VS Essen 6¼ 93	125	99⅞	100⅝	+0⅛	+0⅛	6.70
Korea Dev. Bank 6¼ 93	100	97⅞	98½	−0⅛	−0⅛	6.98
Mitsubishi M. 3⅛ 89 WW	100	106⅝	107⅛	+0⅛	+0⅛	0.81
Mitsubishi M. 3⅛ 89 XW	100	93⅝	94½	+0⅛	−0⅞	5.21
Renfe 7⅛ 95	100	105	105¼	+0⅛	+0⅛	6.09
Soc. Cent. Nuclear 7¼ 95	150	101½	102⅛	+0⅛	+0⅛	6.96
Soc. Cent. Nuclear 8 91	100	104⅝	105⅛	+0⅛	−1¼	6.70
Steweag 5½ 96	100	91½	92¼	+0⅛	+0⅛	6.68
World Bank 7 95	600	102⅞	103⅛	+0⅛	+0⅛	6.57
Yorkshire Intl. 6¼ 01	100	90⅞	91⅛	0	−0⅛	7.25

Average price changes on day +0⅛ on week −0⅛

SWISS FRANC STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
African Dev. Bk. 5⅝ 96	100	†100½	100¼	+0⅛	+0½	5.54
Amer. Corp. 5¼ 01	200	†92	92¼	0	0	6.00
Baker Int. 4¼ 96	200	†90	90¼	0	0	5.47
Carlsberg 5 96	80	†102½	102¾	0	+0½	4.66
Chujitsuya 5¼ 94	50	†102½	102¾	0	0	4.95
Deutsche Bk. Fin. 5⅜ 95	100	†107½	107¾	+1	+0⅛	4.25
Gen. Occidentale 4½ 94	80	†122½	123	+0⅛	−0⅛	1.50
Glendale F. S. & L. 5½ 95	100	†101½	101¾	+0⅛	0	5.26
Hanwaa 5⅛ 98	120	†97½	97¾	0	−0⅛	5.41
Ireland 5⅛ 94	150	†101	101¼	−0¼	−0⅛	4.91
Japan Dev. Bk. 5¼ 97	100	†102½	102¾	0	0	4.80
Oberos. Kftwk. 5⅞ 95	100	†103½	103¾	−1½	0	4.83
Olivetti Intl. 5½ 95	100	†104	104¼	0	0	4.90
Pepsico 5⅛ 95	150	†104	104¼	−0½	−1	4.64
Philbro-Salomon 5⅛ 97	120	†100½	100¾	0	−1½	5.05
Ralston Purina 5⅝ 94	125	†101¼	102	+1¼	−0⅛	5.08
Settsu Euro. 0 01	100	†47	47¼	+1¼	+0⅝	5.39
US Steel 5⅛ 96	200	†89½	89¾	0	−1½	6.76
USX Corpn. 5⅜ 96	100	†95¼	95½	−0¼	0	6.31
World Bank 5¼ 94	150	†104¼	105	+0½	+0¼	5.00

Average price changes on day +0⅛ on week −0⅛

YEN STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Amer. Expr. OS Cr. 5⅞ 91	20	99⅞	100⅛	−0½	+0⅛	5.90
Denmark 6¾ 96	10	101½	102	−0⅛	+0⅞	6.12
GMAC 5⅞ 91	60	97⅞	97⅞	—	+0⅛	5.95
EIB 6¼ 96	25	100¼	100⅝	−0⅛	+0⅛	6.07
Sweden Kingdom 5⅞ 95	20	96⅝	97⅛	−0⅛	+0⅞	6.07

Average price changes on day −0¼ on week +0⅛

OTHER STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Amer. Ex. OS Cr. 0 91 A$	100	†55½	56½	0	+0⅛	13.95
Bremer Ldsbk. 12⅛ 91 A$	30	*†97⅛	98⅛	+0⅛	+0⅛	13.27
Fiat Finance 14⅛ 89 A$	50	100⅞	101⅛	+0⅛	+0⅛	13.79
GMAC 12⅞ 89 A$	40	98⅞	99⅛	+0⅛	+0⅛	13.27
Landbk. Rhein. 13 89 A$	30	†98⅛	99⅛	+0⅛	+1	13.40
Canadian Pac. 10⅛ 90 C$	75	†103⅞	104	+0⅛	0	9.18
Chrysler Corpn. 10 91 C$	75	†99⅞	99⅞	0	0	9.33
Genstar Fin. 11⅛ 95 C$	75	*†104	105⅛	0	0	10.94
GMAC 9⅛ 92 C$	75	†101½	102	0	0	8.81
Royal Trustco 10⅛ 90 C$	75	†102⅛	102⅝	+0⅛	0	9.63
Sears Acc. 10⅛ 92 C$	75	*†102⅛	103⅛	0	+0⅛	9.95
Coca-Cola F. C. 17 90 NS	75	†107	108½	0	+1	14.17
Denmark 17⅛ 89 NS	50	*†102⅛	102⅞	0	+0⅛	15.98
Unilever Cap. 17½ 89 NS	50	†104½	106	0	−1	15.06
Copenhagen City 9 95 Ecu	40	†101½	102	0	0	8.71
EIE 8⅛ 93 Ecu	100	†104⅞	105⅛	+0⅛	−0⅛	7.56
Walt Disney 8¼ 94 Ecu	62	†104	104½	+0⅛	−0⅛	7.95
Honda Mtr. WW 3⅞ 90 Fl	100	108	108⅛	−0⅛	−1⅛	1.35
Honda Mtr. XW 3⅞ 90 Fl	100	95⅛	95⅞	+0⅛	+0⅛	4.61
Thyssen 7⅛ 90 Fl	50	104⅛	104⅜	0	−0⅛	5.89
Wereldhave 7½ 90 Fl	75	104⅛	104⅝	−0⅛	−0⅛	6.10
Wessanen 6⅛ 90 Fl	50	104⅛	104⅝	−0⅛	+0⅛	5.44
Amev 11 95 £	50	†99⅛	99⅝	0	+0⅛	11.12
Australia Com. 11 92 £	40	†97⅞	98⅛	+0⅛	+0⅞	11.45
GMAC UK Fin. 10½ 90 £	30	99½	100⅛	0	+0⅛	10.54
Imp. Chem. Inds. 10 03 £	100	91	92½	+0⅛	−2½	11.02
Imp. Chm. Inds. 10¼ 92 £	75	†96⅞	96⅞	+0⅛	+0⅞	11.56
Invst. in Inds. Int. 10 93 £	60	92⅝	93⅛	+0⅛	+0½	11.60
Leeds Bldg. Soc. 10½ 91 £	50	95⅛	96⅛	0	+0⅛	11.63
McDonalds 10⅞ 90 £	40	†98⅞	99⅛	+0⅛	+0⅛	11.14
Nationwide BS 10⅛ 93 £	75	92⅞	93⅛	+0⅛	+0⅛	11.68
NSW Treasury 10⅛ 92 £	50	95⅛	95⅞	+0⅛	+0⅞	11.66
Royal Insce. 10¼ 92 £	60	†96⅞	97⅛	+0⅛	+0⅞	11.43
J. Sainsbury 10⅞ 93 £	60	97⅛	98	+0⅛	+0½	11.41
Trusthouse Forte 11⅛ 90 £	50	99	99½	+0⅛	+0⅛	11.35
World Bank 11¼ 95 £	100	101⅛	102⅛	+0⅛	−0⅛	10.85
CoE 8⅞ 95 LFr	600	†105	106	+0⅛	0	7.39
EIB 8⅛ 93 LFr	1000	†104⅛	105⅛	0	0	7.53

FLOATING RATE NOTES	Spread	Bid	Offer	C.dte	C.cpn
Alliance & Leic. Bldg. 94 £	0.08	99.55	99.62	18/10	10.08
Australia & NZB Perp.	0.015	99.39	99.48	30/10	6.35
Barclays Bank Perp. 1	0¼§	100.44	100.54	2/01	7.06
Barclays Bank Perp. 2	0¼§	100.23	100.33	14/8	6⅛
Belgium, Kingdom of 91	0	100.30	100.40	19/2	6.06
BNP 5⅛ 95	0.05	†100.77	101.07	12/1	6.88
Britannia 5 93 £	0⅛	99.76	99.84	8/10	10.19
Chase Manhattan Corpn. 91	0⅛	99.60	99.70	20/8	6.12
Chicorp 98	0¼	99.20	99.30	29/8	7.19
Credit Lyonnais 5 00	0¼	100.78	100.88	12/1	6.81
EEC 3 92 DM	0	100.34	100.41	20/8	4.44
EEC 5⅛ 93 Ecu	0.0312	99.78	99.88	30/7	7.66
Halifax Bldg. Soc. 94 £	0.1	99.52	99.59	6/8	10.94
Lloyds Bank Perp.	0¼	100.48	100.58	9/12	7½
Midland Bank 01 £	0.1	99.46	99.55	7/11	10.69
Milk Mrktg. Board 5 93 £	0⅛	99.80	99.88	26/9	9.94
NatWest Perp. A	0¼§	100.43	100.53	9/1	6.94
NatWest Perp. B	0¼§	100.43	100.53	10/2	6¼
New Zealand 5 97 £	0.07	99.94	100.04	14/8	10¼
New Zealand 5 01	0	100.09	100.19	4/2	8.13
Prudential Corpn. 4 95 £	0.1	99.89	99.99	5/9	9.85
Shearson Lehman Hldgs. 91	0¼	99.55	99.65	6/11	6¼
United Kingdom 5 92	0	100.09	100.19	7/10	7.19
Woodside Financial 5¼ 97	0	100.08	100.18	28/10	6.81
Woolwich 5 95 £	0⅛	99.72	99.77	19/11	10½

Average price changes on day −0.05 on week −0.14

CONVERTIBLE BONDS	Cnv. date	Cnv. price	Bid	Offer	Chg. day	Prem
Ajinomoto 3 99	4/84	1053	†236	238	+1	6.38
Fanuc 3⅛ 98	1/84	7032	252½	254½	−5	91.38
Fuji Bank 2⅝ 00	10/85	1672	147⅛	148⅝	−0⅛	2.30
Fuji Heavy Industries 3 00	8/85	676	100⅛	101⅛	0	−0.05
Fujitsu 3 99	5/84	1320	126⅛	127⅛	−3⅛	13.50
Minolta Camera 2⅛ 94 DM	2/86	1105	100⅛	102⅛	−2	54.78
Mitsubishi Bank 2⅞ 00	8/85	1768	140⅛	142⅛	−0⅛	1.91
Mitsubishi Trust 2⅞ 01	5/86	1600	123⅛	124½	+2⅛	−7.32
Mitsui Bank 2⅝ 01	4/86	101.9	†117½	119	+1	−98.04
Mitsui Trust 2⅝ 01	10/86	1990	96⅛	97⅛	+1⅛	12.24
Murata 3½ 00	7/84	2390	171⅞	173⅞	−3⅛	40.53
Nippon Elec. 2⅞ 00	1/85	1295	220⅛	222⅛	−4⅛	106.16
Nippon Oil Co. 3 00	5/85	923	181⅛	183⅛	+0⅛	−1.17
OKI Elec. Ind. 5½ 99	10/84	805	124⅛	125⅛	−1⅛	−1.65
Sanwa Bank 2⅛ 00	10/85	1496	134⅞	136⅛	0	1.44
Sumitomo Bank 2¼ 00	8/85	2142	132⅛	134⅛	−0½	5.98
Toshiba Ceramics 3 00	4/85	1734	118⅛	119⅛	−0⅛	1.25
Nippon Oil Co. 2⅛ 92 SFr	3/86	1052	*†132½	132½	0	12.66
Nippon Shinpan 2 92 SFr	3/84	801	*†179½	179½	0	32.57
Asics 8 92 DM	12/85	520	116¼	118	−0⅛	8.75

* No information available—previous day's price.
† Only one market maker supplied a price.

Straight Bonds: The yield is the yield to redemption of the mid-price; the amount issued is in millions of currency units except for Yen bonds where it is in billions. Change on week=Change over price a week earlier.

Floating Rate Notes: Denominated in dollars unless otherwise indicated. Coupon shown is minimum. C.dte=Date next coupon becomes effective. Spread=Margin above six-month offered rate (‡ three-month; § above mean rate) for US dollars. C.cpn=The current coupon.

Convertible Bonds: Denominated in dollars unless otherwise indicated. Chg. day=Change on day. Cnv. date=First date for conversion into shares. Cnv. price=Nominal amount of bond per share expressed in currency of share at conversion rate fixed at issue. Prem=Percentage premium of the current effective price of acquiring shares via the bond over the most recent price of the shares.

UK COMPANY NEWS

MAI ups its LCAH stake

MAI, financial services and media group, has bought another 1.1 per cent stake in London and Continental Advertising Holdings, raising its total holding to 22.3 per cent.

MAI has not commented on a proposal that Piccadilly House, an investment group with Australian ties, should take a 29.9 per cent stake in LCAH. But it has increased its holding in the outdoor advertising group from 15 per cent since the plan was announced on Monday.

LCAH has recommended the plan under which Piccadilly would underwrite a four-for-13 rights issue, amounting to 23.5 per cent of the enlarged equity. Piccadilly is associated with W. R. Carpenter, an Australian outdoor advertising group.

Non-banking growth at Hill Samuel

BY DAVID LASCELLES, BANKING CORRESPONDENT

Hill Samuel, the UK merchant banking group, yesterday reported a 9.7 per cent increase in interim profits after tax. But the improvement came from the group's non-banking operations. The merchant banking arm returned lower profits, partly because of the cost of preparing for the Big Bang.

Total after-tax profits were £19.2m, equivalent to 20.48p per share, up from £17.5m, or 19.06p, last year. The divisional contributions were: merchant banking £11.2m (£12m); investment management £6.4m (£2.8m); employee benefit services £3.5m (£2.7m); insurance broking £1m (£1.3m) and shipping services £0.9m (£0.9m).

Mr Christopher Castleman, chief executive, said the decline in merchant banking profits was due to about £2m of exchange rate and inflation effects, and £3m of costs associated with building up the securities side of the business in the run-up to Big Bang.

Hill Samuel also suffered a loss by buying AE shares to defend the company in its takeover battle with Turner & Newall. Mr Castleman declined to say how large this loss has been, but it was "substantially less" than the £4m reported in the market.

The goodwill from the acquisition of Wood Mackenzie, the stockbroking firm which it now wholly owns, has been written off.

Commercial banking did well despite some losses in Singapore, and results from the treasury business were slightly down.

The large increase in investment management profits was due partly to £2m of additional revenues from the newly-acquired Investment Advisers Inc. of Minneapolis. But without that, profits would still have been up by 50 per cent, Mr Castleman said. The fund management operation had lost some important pension fund contracts in recent months, but other sides of the business, such as unit trusts were performing very well.

Employee benefit services had shown growth, particularly in the UK business of Noble, Lowndes. But insurance broking profits were down because of the weakness of the dollar and difficulties in placing certain types of liability insurance. The performance of shipping services was satisfactory.

Reviewing events after the first 10 days of the Big Bang, Mr Castleman said that trading volumes in both the gilts and equities market-making operations of Hill Samuel had been higher than expected, and both were trading profitably. On the agency broking side, commission rates had turned out much as the group had expected,

The group has about £50m available for investment and development, and to strengthen the group's capital if necessary. But Mr Castleman said any major acquisition would be financed through an issue of equity.

The interim dividend is 3.80p, up from 3.60p. Mr Castleman described this as cautionary but hoped that the full year dividend growth would be of the same order.

See Lex

Avis shares open at discount

By Terry Povey

The first day of trading in Avis Europe ended yesterday with the shares at 239p, below the 250p offer price but well up on the level set when the market opened.

Mr Alun Cathcart, group managing director, said that trading in the shares "went well, with many institutions who accepted the basic soundness of the company taking the opportunity to buy them at the slightly lower level."

Last Thursday applications for shares in Avis Europe closed undersubscribed, with one-third of the 72m on offer left with the underwriters.

In heavy trading yesterday upwards of 12m shares are estimated to have changed hands and institutional buying saw the share price firm from a 226p starting point. Prior to the start of trading, an informal "grey market" in Avis shares was made over the past two weeks by a number of licensed dealers. As a result of the trading on this pre-market it was widely expected that the shares would open at a discount to the offer level.

Avis Europe was formerly the Europe, Africa and Middle East region of the US international car hire parent. The proceeds of the flotation were £177m after expenses.

TSB (CI) valued at £21m in USM offer

BY ALICE RAWSTHORN

JUST AS all the hullabaloo surrounding the Trustee Savings Bank flotation has died down its Channel Islands' counterpart, the Trustee Savings Bank (Channel Islands), is staging its own flotation through an offer for sale on the Unlisted Securities Market.

The TSB (CI) was formed in 1975 through the merger of the Jersey and Guernsey Savings Banks. Until the flotation it has functioned as a wholly-owned subsidiary of the TSB Group, with just nine branches and 60,000 personal accounts, but claiming a markedly more affluent account holder profile than that of the mainland bank.

It was decided at an early stage in the planning of the TSB Group flotation that the Channel Islands subsidiary should become a separate publicly quoted company.

"There are two principal reasons for this," said Mr George Thain, a director of TSB(CI). "First, the Channel Islands is constitutionally independent of the UK; and secondly Channel Islands residents have a different tax position than those of the UK.

"It seemed only fair," he added, "to allow Channel Islands' residents to invest in their own bank."

The TSB (CI) flotation has been advertised in the Channel Islands and account holders have had the right to make priority applications. Some 18,000 account holders have registered interest in the issue, as have 10,000 other residents.

Although the bulk of TSB (CI)'s profits are gleaned from its personal account business, the bank has developed a small but growing source of income from commercial business and off-shore customers. In its last financial year to November 20, 1985 the bank produced pre-tax profits of £3.95m. In the present year the directors expect profits of £5.45m.

In the offer the bank will release 13.36m shares, or 49 per cent of its equity, at 70p a share, giving it a value of £21m. On the offer price the bank will have an historic p/e of 6.4 and a prospective p/e, on the profits forecast, of 4.9. The prospectus forecasts a notional gross dividend in the current year of 4.9p and a dividend yield at the offer price of seven per cent.

The flotation is sponsored by the merchantbank Lazard Brothers (Jersey). Hoare Govett (Channel Islands); Le Masurier, James & Chinn; and Rowe & Pitman are acting as joint brokers.

NORTHERN SECURITIES Trust: Net asset value at September 30, 1986 was 257p against 236.5p six months earlier. Interim dividend unchanged at 0.7p. Earnings per share 0.32p (1.45p).

MK buys trend Control Systems

MK Electric has acquired a 77.6 per cent stake in Trend Control Systems, a manufacturer of building control systems, for £4.24m, of which £2.82m is payable in cash and the remainder in loan notes. The outstanding shares are being retained by directors and some employees and will be acquired by MK over a four-year period from June 1989. In the six months to September 30, Trend's pre-tax profits were more than £300,000 on turnover of £3m and in the year to last March it made £127,000 pre-tax on turnover of £4.25m.

Electrocomponents ahead 13% in first half

A 13 PER CENT increase in pre-tax profit for the six months ended September 30, 1986 is reported by Eelctrocomponents, a group distributing electronic components.

And for the second half the directors look for further progress despite market conditions being far from buoyant in all countries of operations.

On sales ahead by 28 per cent, from £89.5m to £114.6m, the profit went up from £16m to £18.1m — the bottom end of the City's expectations.

Mr Tony Chubb, chairman, said despite the continuation of competitive pressures, the UK group recorded increases in both sales and profits; in particular RS Components maintained its margins. The West German companies performed acceptably in competitive conditions.

In the US, however, the performance was poor, the chairman conceded, and said reorganisation was under way. S & S Electronics was the exception.

Earnings for the half year rose to 11.48p (9.37p) and the interim dividend is stepped up to 2.2p net (1.9p). The tax charge was again £6.4m but there were no minorities this time (£100,000).

For the full year ended March 31, 1986 the group produced a pre-tax profit of £35.3m on sales of £199.7m, and

● comment

After the crop of figures produced by electronic companies in recent months, the City was relieved by these results and Electrocomponents shares rose 15p to 367p yesterday. The company has been, and will continue to be shielded from the worst effects of the electronics recession because its main business, RS Components, which accounts for 80 per cent of profits, concentrates on small orders for a large number of customers, mainly in services, engineering, and research and development. The company has also diversified sucessfully and now claims to be Britain's biggest electronic tool supplier. The move into the US four years ago has still to prove its worth, however, and the company suffered a small operating loss there last year. For the year analysts are expecting about £39m pre-tax which on yesterday's close produces a prospective p/e of 15; not unreasonable for a company which has increased pre-tax profits by 13 per cent when times are tough.

Ford & Weston shares suspended

TRADING in Ford & Weston Group, USM-listed shopfitter based in Derby, was suspended at the request of the company, pending an announcement.

Bestwood takes more of brewery

Bestwood, the financial and property services company, has further increased its stake in Llanelli-based Buckley's Brewery, announcing the acquisition of a further 250,000 shares. It now holds 3,147,500 shares, amounting to 19.75 per cent of the company.

Grainger Trust's shares rise again

Shares in Grainger Trust, which have risen sharply in recent days, soared again yesterday despite a statement from the directors noting the increase and saying that in their view "this share price movement reflects limited buying in a narrow market."

Reebok seeks New York SE listing

Reebok International, the US athletic footwear and clothing manufacturer in which Pentland Industries of the UK holds a 37 per cent stake, announced yesterday that it is to seek a listing on the New York Stock Exchange, which would provide it with a "broader and more orderly" market for its shares. It is currently listed on NASDAQ. Reebok's remarkable growth over the past two years sent Pentland's profits and share price soaring.

Farnell takes 6.26% stake in Wayne Kerr

By Clay Harris

Leeds-based Farnell Electronics yesterday bought a 6.26 per cent stake in one of its suppliers, Wayne Kerr.

Farnell, an electronics components distributor and power supply manufacturer, said that it hoped to develop further trading ties with Wayne Kerr, a USM-listed maker of automatic circuit testing equipment.

Mr Alan Dennis, Wayne Kerr chairman, yesterday welcomed the purchase in the market by a company "which is a customer and has an understanding of some elements of our business."

Farnell said it viewed the holding as a trade investment and that the purchase was intended to hold the Wayne Kerr share price at about its present level. Wayne Kerr shares jumped 11p to 66p yesterday, while Farnell added 10p to 185p.

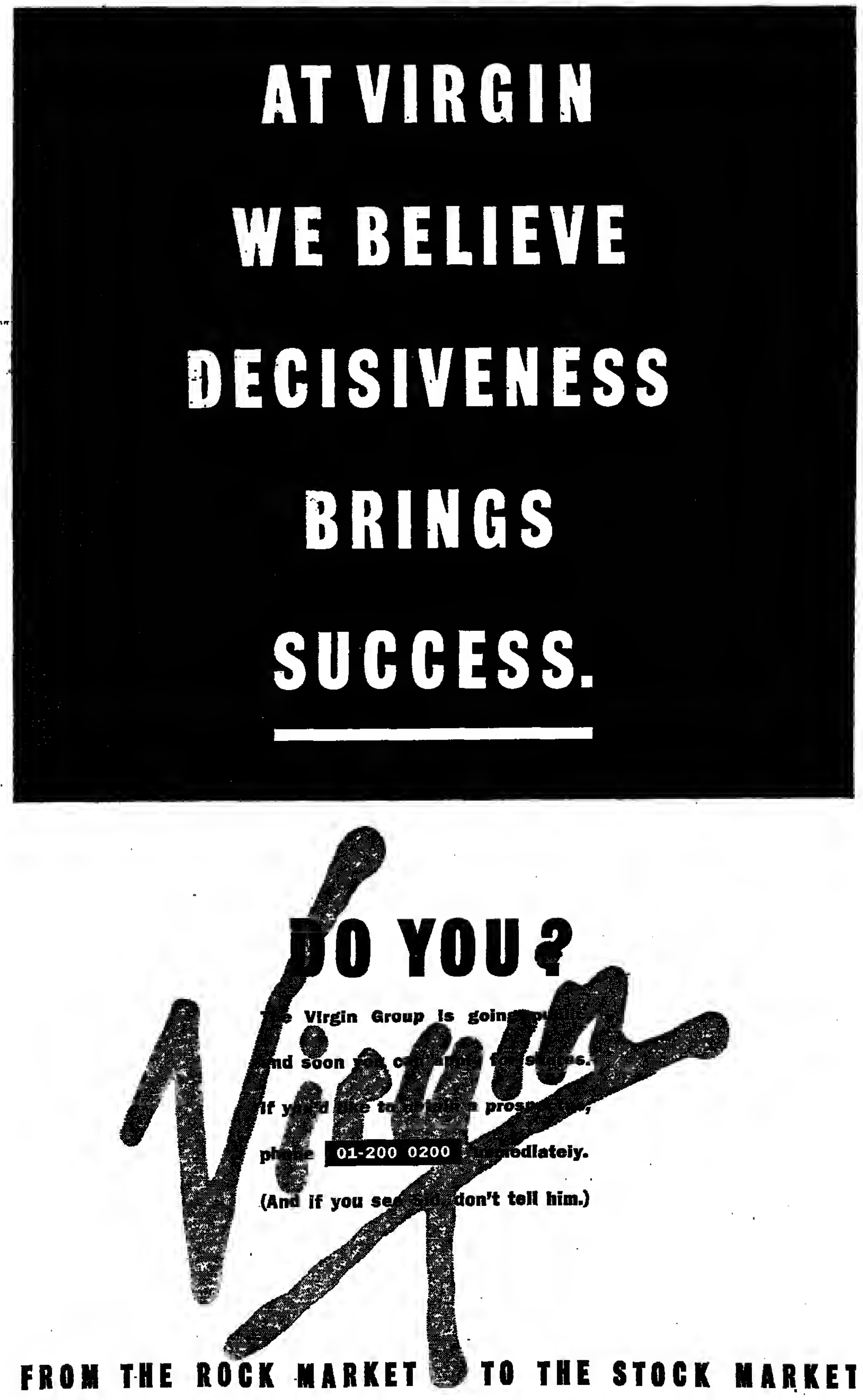
In September, Sussex-based Wayne Kerr announced a 61 per cent fall in first-half pre-tax profits to £244,000, as troubles in the US market more than offset progress in the UK and West Germany.

Farnell's pre-tax profits, announced last month, also fell short of expectations in the six months to July 31, with a rise of 6.5 per cent to £10.09m.

DIVIDENDS ANNOUNCED

Amber Industrial	int	3	Jan 3	2.8	—	8.5
Aquascutum	int	†0.8	—	0.8	—	2.5
Arenson Grp		0.7	Jan 6	nil	1.1	nil
British Borneo Pet	int	7	Dec 19	6	—	20
British Investment	int	7.2	—	6.6	—	15.2
Burtonwood Brew	int	2.5	—	2.5	—	10.8
Caledonia Invs	int	2.2	Jan 7	2	—	5
A. Caird		0.5	Jan 31	nil	†0.5	nil
Coloroll	int	†2.3	—	2	—	5
Daks Simpson		5.25	Jan 5	4.25	7	5.75
Electrocomponents	int	2.2	Jan 1	1.9	—	6.25
Framlington Ov'rs's	int	‖1	—	1	—	2.22
Fundinvest		4.81	—	4.13	7.48	6.39
Gieves Group	int	1.2	Dec 19	1	—	3.3
Graig Shipping	int	5	Dec 15	5	—	15
Grampian TV	int	0.43	Jan 9	0.43	—	2
Hill Samuel	int	3.8	—	3.6	—	13.2
Keystone Inv		3.5	—	3*	5.5*	5*
Normans	int	0.95	Mar 2	0.9	—	1.9
North. Secs.	int	0.7	Dec 22	0.7	—	2.3
Regalian Props	int	1.25	Jan 5	0.63*	—	2*
Third Mile Inv	int	1.09	Dec 3	0.8	—	2.2
Westbury	int	1.5	Jan 21	—	—	—
Yorklyde	int	2.75	—	2.75	—	7

Dividends shown in pence per share net except where otherwise stated. * Equivalent after allowing for scrip issue. † On capital increased by rights and/or acquisition issues. ‡ USM stock. § Unquoted stock. ¶ For 17 months. ‖ Gross. ** To reduce disparity.



UK COMPANY NEWS

Aquascutum lifted by rates cut

BOOSTED by a £648,000 benefit of a retrospective reduction in the rateable value of its Regent Street (London) headquarters, the Aquascutum Group of quality clothing manufacturers turned in a pre-tax profit of £1.22m for the half year ended July 3, 1986.

Without this exceptional credit the profit was up from £445,000 to £569,000, from a turnover of £17.15m (£16.34m).

Earnings were 2.72p (1.02p) or 1.18p before the exceptional gain and the interim dividend is held at 0.8p net on capital increased by the March rights issue.

The directors said they were optimistic.

Burtonwood Brewery advances to £1.7m

Burtonwood Brewery raised pre-tax profits by 22 per cent from £1.39m to £1.7m for the half-year to September 27 1986. Turnover, however, improved only 4 per cent to £16m and the company said trading volumes had been very disappointing.

After tax of £452,000 (£555,000) earnings per 25p share increased from 17.8p to 23.7p. The interim dividend is held at 2.5p net—last year's total was 10.8p on £2.04m profits.

Both the company's managed houses and its wine and spirit trade had shown improvements on last year.

Gieves up 17% and sees £1.3m

Gieves Group saw first half pre-tax profits improve by 17 per cent. And with the group's traditional bias towards the second half plus a first contribution from Bookpoint, the recently-acquired book distributor, the directors expect full-year profits to be well ahead of last year's £1m, possibly at £1.3m.

On turnover up at £19m (£16.45m), pre-tax profit for the period to July 31, 1986 improved to £444,000 (£378,000). Earnings per 20p share, on increased capital, rose to 4.1p (3.6p). The interim payment is being raised to 1.2 (1p) to reduce disparity.

Graig Shipping profits sink

Craig Shipping saw pre-tax profits slump by 40 per cent from £587,258 to £354,689 in the six months to September 30 1986, largely as a result of increased ships depreciation of £657,022 (£348,597). Turnover moved up slightly from £8.1m to £8.2m while trading profits fell from £473,430 to £360,906.

Oil exploration profits fell sharply to 11,385 (£136,463) but profits from related companies moved up from £60,185 to £74,420.

After tax of £47,000 (£167,000), earnings per £1 share worked through at 15.38p, down from last time's 21p. The interim remains unchanged at 5p.

A. Caird back in the black

A. Caird & Sons, the Scottish property and investment company, yesterday turned in its first full figures since its shares were relisted in June 1985.

For the 17 months to June 30 1986, Caird made a pre-tax profit of £176,248—its first since 1980—which compared with a loss of £89,467 for the previous 12 months.

A final dividend of 0.5p net is recommended, together with the preference dividend due on January 31 and accrued preference arrears.

Stated earnings per 10p share were 3.27p (2.24p loss).

Offer puts £58m value on L & M

BY PHILIP COGGAN

London & Metropolitan, the property development group, is coming to the market via an offer for sale which values it at £58m. On offer are 23.6m 5p ordinary shares at 145p each to raise £34.2m, of that £18m will go to the company and £16.2m to existing shareholders.

Until the float, L & M was a joint venture between Balfour Beatty, the construction subsidiary of BICC, and London & Edinburgh Trust. Each is reducing its stake from 50 to 20.5 per cent and L & M is repaying loans made by the two shareholders worth £3.8m.

L & M has shown steadily increasing profits since it was formed in 1980 with profits rising from £110,000 in 1981 to £3.8m last year. For the full year 1986 the company is forecasting pre-tax profits of £5.6m and earnings per share of 11.8p, which at the price of 145p puts the shares on a prospective p/e of 12.3.

The group's strategy is to spread its developments across three sectors — office, business park and retail — to minimise the risk of a downturn in one area. Current schemes which total 1.5m sq ft include the Ropemaker Place development in EC2, the Watchmoor business in Camberely and the Whiteleys depratment store in Queensway. If the Spitalfields Development Group wins the teoder to redevlop the site, L & M will be project and development manager

Although nearly all of the construction work on L & M's projects has until now been undertaken by Balfour Beatty, this will not be inevitable in future. Part of the reason for the float is to enable L & M to secure prime development projects without the support of Balfour Beatty and LET.

L & M will also use the funds to expand its investment portfolio, which at the moment consists of the Forum in Irvine, Ayrshire, and the Peascod Street, Windsor, development. The aim is to cover overheads with rental income and project management fees within two years.

On the notional gross dividend per share of 4.4p (4.1p net) the shares are on a yield of 3.0 per cent at the offer price. Pro forma net tangible assets per share are 47.3p.

Brokers to the issue are Phillips & Drew

● **comment**

It seems certain that there will be a warm welcome for this modestly priced property company, when it joins the market on November 19. The size and range of developments are sensibly spread; the profit record is demonstrably sound; and the issue at £34m is large enough to expect the after-market to be reasonably liquid. Nor is there anything in the price to reflect the chance of winning the Spitalfields contract. If there are any doubts about the potential conflicts of interest resulting from the continuing links with Balfour Beatty and LET, they are probably outweighed by the positive example of LET's successful record. The downside is also limited by the growing importance of management fees. Unless the market catches a cold, the shares seem likely to go to a fair-sized premium, with the Spitalfields project the potential icing on the cake.

Better retailing efficiency behind Normans profit lift

BY ALICE RAWSTHORN

Normans Group, the discount food retailer, yesterday reported a 42 per cent increase in pre-tax profits to £1.07m for the first half of the year. The growth comes chiefly from improved efficiency in its retailing operation.

Last year Normans' retailing activities, which are composed of 18 discount stores and a chain of 15 frozen food shops, suffered from a series of competitive openings and difficulties in nursing its own new stores into profit.

The pace of competitive openings eased in the first half of this year; Normans did not open any new stores of its own; and all but one of last year's new stores operated at a profit. Retailing turnover increased to £48.31m (£45.02m), chiefly because of the contribution from last year's new stores, and retailing profits rose to £1.48m (£1.08m).

In the first half net margins increased to 2.9 per cent (2.1 per cent). Mr Michael Slocock, Normans' chairman and chief executive, attributes this improvement to increased efficiency, chiefly from reducing shrinkage, and the introduction of higher margins products such as fresh foods.

Earnings per share were up 24 per cent to 1.98p, and there is a dividend of 0.95p (0.9p).

● **comment**

On the surface at least this set of results suggests that Normans is on the road to recovery. Peering beneath the surface it is apparent that its journey has only just begun. Almost all the growth in retail sales came from new stores opened last year; competitive conditions in the first half were unusually calm; and many of the "innovations" being introduced by Normans now—fresh foods, sharper store design, clamping down on shrinkage—are old hat to its competitors. The outlook for tea appears to have stabilised, in the short term at least and coffee should provide a slow, but steadier tranche of profits for the future. The City expects profits of £2.15m for the year which, on yesterday's share price up 1p to 60p, produces a prospective p/e of 15.5. Given that there are so many stronger stocks in the sector further improvement could only come from hopes that Mr Lew Cartier decides to act upon his strategic stake, or that be sells it to someone else who will.

Manufacturing helps Daks Simpson rise 52%

Daks Simpson Group showed improvement in all divisions except rainwear in the year to end-July 1986 with profits rising 52.5 per cent to £3.86m.

The directors are recommanding an increase in the final dividend to 5.25p (4.25p)—earnings emerged 73 per cent higher at 36.81p.

Daks Simpson, previously known as S. Simpson, operates in five major areas: manufacturing mens and womens clothes, licensing, distribution, contract work chiefly for Marks & Spencer, and retailing. Over the last year it has set up franchise stores, specialising in Daks clothing, in Europe and the Far East. It has recently made moves to break into mail order and duty free business.

Turnover rose by 17 per cent to £48.9m with a UK contribution of about £30m. Tax accounted for £1.52m (£1.18m) and left net profits £983,000 ahead at £2.34m.

Daks said manufacturing showed the major improvement during the period and now contributed 40 per cent of turnover.

There was an extraordinary charge of £288,000 (nil) incurred in transferring the menswear manufacturing operation from Devon to Scotland in June, with the aim of reducing overheads.

The company's flagship store in Piccadilly, London, suffered during the summer from a downturn in American tourism because of Chernobyl and Libyan concerns, but Daks said this had mostly been made up by European business, attracted by the weaker pound.

The Piccadilly store is being refurbished, at a cost of about £250,000 per floor, Daks said, with two floors having been completed.

Helical Bar profits trebled

Profits of Helical Bar, the property developer and manufacturer of steel reinforcements, continued to recover rapidly in the six months to August 2 1986.

Pre-tax profits in the first half more than trebled to £434,000, compared with £120,000 in the same period last year, on turnover up 78 per cent to £6.59m.

After interest payable of £14,000 (£22,000), tax of £165,000 (£60,000) and minorities of £11,000 (£36,000) attributable profits were £258,000 (£24,000). Earnings per share came out at 6.7p (0.8p).

The directors said the results reflected the growing size and profitability of the company's property subsidiary. During the period Helical Properties carried out successful transactions in Weston-Super-Mare, Cardiff, Coventry, Wimbledon Village and Bristol.

Negotiations were finalised for the sale to BP Properties of the freehold office development at 48, Chiswell Street London EC. Proceds from the sale will be utilised in further property transactions. UK steel operations traded profitably on an increased turnover.

The full-year results would satisfactorily reflect these developments, and would enable the proposal of a final dividend, the directors said.

Arenson cuts borrowings

BY TERRY POVEY

OFFICE furniture manufacturer Arenson Group yesterday announced pre-tax profits up almost a third to £751,000, following a £98,000 fall in interest charges and a small rise in operating profits.

For the first time in five years the company is to pay a final dividend. It is 0.7p and with the interim takes the total payout to 1.1p for the year to July 31 1986.

Mr Archy Arenson, executive chairman, said that the "decrease in financing charges reflects a significant fall in borrowings, which as a proportion of shareholders funds fell from 82 per cent to 56 per cent." Net debt at the year-end was £2.04m.

Turnover at £15.74m (£16.24m) was down because of the elimination of low-margin businesses, he said.

● **comment**

Arenson's underlying business appears to have stood still in the past year—the comparable operating profit figure for 1984-85 included a loss of £122,000 at the now disposed of Roomsets subsidiary. The return to dividend payments is a quid pro quo for the conversion and buy back of the preference stock at the turn of the year and the reduction of debt is partly associated with this. While Arenson is one of the companies most likely to benefit from the major face-lift many institutions are giving their offices it is in a highly fragmented market in which the customer is for ever seeking innovation. This year £1.1m pre-tax is in prospect which, flattered by a zero tax charge, produces a one-third increase in earnings and a prospective multiple of 5 on the shares down 4p at 48p.

J. T. PARRISH: Rights issue has attracted acceptances in respect of 1.4m new ordinary shares (97.4 per cent)—the 37,150 not taken up have been sold in the market.

FUNDINVEST ...(Investment Trust): Final dividend 4.809p making 7.482p for year to September 30 1986 (6.394p). Net asset value per capital share 479.8p at period end (369.9p) calculated after deducting preference and income shares at nominal values.

UK COMPANY NEWS

R.Dutch/Shell disappoints with static third quarter

BY LUCY KELLAWAY

Royal Dutch/Shell produced a disappointing set of third quarter figures yesterday, with net income on a current cost basis unchanged.

The result, which was about £150m worse than the City had expected, masks an underlying deterioration in net income, as the 1985 figures were depressed by £200m of restructuring costs.

The third quarter numbers provido the first signs of lower net income from Shell, resulting from the collapse in the oil price at the beginning of this year.

In the first half of the year, Shell produced sharp increases in profits and after e flat third quarter, current cost net income for the first nine months is 27 per cent higher et £2.8bn (£2.2bn).

The deterioration occurred upstream—in oil exploration and production—where quarterly reported earnings fell from £698m to £498m, whilo current cost earnings fell 36 per cent to £518m.

Despite higher levels of production, with oil up hy 20 per cent to 1.9m barrels a day, and gas volumes up by 10 per cent to 4.9m cubic feet a day, earnings fell due to much lower selling prices. The gas price, which follows oil with a time lag, fell "significantly" in the third quarter, Sholl said.

Mr L. C. Wachem, chairman of Royal/Dutch Shell

Despite reduced levels of oil activity, the exploration cost rose by £16m to £298m, chiefly as a result of cancelling and suspending exploration projects in Algeria and in Caneda.

Downstream profits on a current cost basis rose from £181m in 1985 to £327m, on increased volumes and lerger margins. However, the result was lower than the record figure achieved in the second qnarter, since wben margins bave come under pressure.

The chemicals division also increased earnings sherply, up from £36m to £62m, also due to larger volumes and fatter margins.

Third quarter figures for the group as a whole benefited from lower currency losses, down lo £25m from £177m in the same period last yoar.

Group net income on e reported basis increased by 20 per cent to £525m from £439m in the thlrd quarter, as a result of lower stock losses. These fell from £114m to £29m.

In the US, Shell Oil dollar net income plunged by 64 per cent due to much lower upstream profits. Moasured in sterling, the declino was even sharper, down hy 76 per cent to £55m.

During the first nine months cash flow for tho group was £5.4bn, down from £7.3bn in 1985, while capital expenditure for the poriod was 29 per cent lower at £3.3bn.

See Lex

Regalian lifts profits to £4m and seeks £35m via rights

Regalian Properties, the inner-city developer, yesterday announced a three-for-seven rights issua and a one-for-one scrip issue, together with more than donble interim pre-tax profits of £4m.

The rights will raise £35m, after expenses, via the issue of just over 11.2m shares at 325p each, only a 5.8 per cent discount to Wednesday's closing price. Mr D. J. Goldstone, managing director, and family interests, intend to sell their entitlements under the rights, representing 20.2 per cent of the issue.

Although Regalian is a cash positive issue, it chose e rights rather than a debt issue because it wanted to promote a wider market in its shares. Proceeds will be used to fund group developments.

Mr Goldstone said there were developments planned and in progress to the value of £325m over the next four years, and given that the company would normally expect a 20 per cent margin, there should be scope for 25 per cent per annum earnings growth over the next four years.

In London, there were three developments currently being sold—the Falcons, Clapham, Orchard Mead in north-west London and Gladstone Court in Westminster. Two projects were already under way in th docklands, at Free Trade Wharf and Western Dock, and a third was planned at Wapping's Hermitage Basin.

Outsida London, a major schema at Cardiff had been completely sold and sales were nearly completed on the development at Lichfield in Staffordshire.

Turnover in the half year to September 30 was £14.86m (£10.2m), and net operating income £3.96m (£2.2m). Interest receivable came to £151,000 (£332,000 payable).

The pre-tax profit of £4.11m (£1.87m) includes £156,000 arising from the sale of Regalion's 50 per cent interest in MCS Financial Services. After tax of £1.44m (£753,000), earnings per share were 88 per cent higher at 10.83p (5.76p).

The interim dividend is being set at 1.25p, compared with an adjusted 0.625p last time. The directors intend to recommend a final of 2.75p, or 1.375p adjusting for the scrip.

● comment

Inner city development is in the news at the moment and Regalian has been riding the crest of a wava of rising house prices with the help of financially straighlened local councils with tower blocks to sell. Whatever the social merits of Regalian's developments, they are certainly very profitahlo and recently tha margins have moved up to 25 per cent. Perhaps the just - emerging slowdown in property prices will slow Mr Goldstone's vehicle; perhaps a Labour government might restrict tower block sales to the private sector. But the assumptions on which Regalian's developments are planned — 8 per cent per annum house price growth and 6 per cent cost inflation — do not seem wild or rash. Yesterday, the price fluctuated to close up 5p at 350p as the markets balanced the tightness of the rights pricing against the buoyant pre-tax figure. At 19, assuming full-year pre-tax profits of £8m, the prospective p/e does not allow much room for doubt, but the profits record seems to justify it.

Agreed £20m bid for John Govett

By Hugo Dixon

Directors of John Govett & Co, the idependeot fund managers, have agreed to a £20m takover by Berkeley Technology, the development capital firm. The merger fulfils Berkeley's ambitions for a presence in fund management and gives Govett capital backing to expand its business.

Under the agreement ,the directors and employees of Govett, who own 43 per cent of its stock, will be paid half of their share of the £20m ln cash and half of it in shares in the new company Berkeley Govett. If, however, they leave the company within 13 months, they will havo to pay back a third of their total remuneration.

The three investment trusts, Govett Strategic, Govett Oriental and Govett Atlantic, which Govett manages, will receive a third of their 57 per cent share of the £20m in loan notes. These will be paid after 13 months, provided they do not change their management company in the period. They will get the rest in a mixture of cash and shares ln Berkeley Govett.

Mr Dwight Makins, the managing director of Govett, said that his company would benefit from Berkeley's good international contacts. This would improvo its ability to add value to its investment trusts. Berkeley's capital backing would also enable it to expand its fund management presence into the Continent, either by acquisition or by setting np new companies.

The merger is conditional on the approval of the shareholders of the three investment trusts and Berkeley shareholders. Extraordinary general meetings are being held on November 24th.

Brake Bros. allotments

Barclays de Zoete Wedd has announced the basis for allocation of shares in Brake Brothers, the eatering company where the issue was 27.5 times oversubscribed when applications closed on Wednesday.

A total of 41,701 applicants, exclnding irregulars and multiples, applied for 313.87m shares, compared with the 11m on offer.

Applications from the 175 Brake Brothers employees have been accepted in full.

For the other applicants, the basis will be: 200 to 1,000 shares — a weighted ballot for 200; 1,500 to 6,000 shares — a weighted ballot for 400; 7,000 shares — 400; 8,000 to 15,000 shares — 500; 20,000 shares and above get 3 per cent of the amount applied for, subject to a maximum of 50,000.

Yorklyde forecasts slow second half

Pre-tax profits of Yorklyde, the Huddersfield-based manufacturer of fine cloths, scarves and travel rugs, increased marginally to £1.15m (£1.14m)

The interim dividend is maintained at 2.75p

Demand for the company's products had steadied, the directers sald, and consequently profits for the full year would not reach the previous year's £2.4m.

BOARD MEETINGS

TODAY

Interims:—CASE, Cater Allen, Fergebrook, A. Goldberg, Health Care Services, Henderson Administration, Just Rubber, Renold, Thomson T-Line.

FUTURE DATES

Interims:—

Slack Arrow	Nov 19
Ferranti	Nov 28
Outwich Investment Trust	Nov 13
Personal Assets Trust	Nov 21
WCRS	Nov 18
Whitbread	Nov 19

Finals:—

Serton Transport	Nov 14
Kwik Save	Nov 26
Pennine Resources	Nov 12

Kleinwort offers M & G holding

Kleinwort Benson, one of Britain's largest merchant banks, is selling the bulk of its 41.7 per cent holding in M & G, the unit trust group, via a £57.6m offer for sale, writes Nikki Tait.

The bank announced yesterday that it is selling 28m shares at 270p each—25p below the closing market price for M & G, which fell 2p on the day. The shares being offered represent 37.4 perce nt of M & G share capital. Kleinwort will retain a full 0.2 per cent stake in the group.

M & G, which is Britain's largest and oldest unit trust group with funds under management of £4.2bn, said that the sale would reaffirm its independence.

"Independence is the crux," commeoted Mr David Hopkinson, deputy chairman and managing director of M & G yesterday. "We are unique in baving stakes in 250 public companies and there are conflicts of interest.

"This way, we can be single-minded in our objectives."

The Kleinwort stake dates hack to 1959, and was added to in 1980 when the bank offered support to M & G when the unit trust group faced an unexpected £7m tax hill. Kleinwort will raise £74m after expenses from the issue, and will use this to increase its capital base and fund expansion.

After the sale, M & G's second largest shareholder—the Fairbairn Trust—will continue to bold its 31.6 per ceot stake. SwissRe Holding ,a subsidiary of Swiss Reinsurance Company, which does all M & G's reinsurance business, intends to apply for 1.9m shares—a 2.5 per cent stake—and this will be met in full.

However, M & G, which is advised by Baring Brothers, is otherwise aiming for e wide spread of shareholders. Kleinwort's shareholders will have priority in the offer, but there will be no similar concession for M & G unitholders, nor its existing shareholders.

M & G operates 27 unit trusts and launched its first fund in 1931.

Yesterday, M & G forecast a 53 per cent increase in pre-tax profits in the year to the end of September at £15.5m and said it plans to pay a total dividend for tho year of 5.25p — 40 per cent higher than in 1984/5.

Mr Hopkinson, who has a reputation for speaking his mind and steering M & G on its independent tack, is due to retire next February. His place as managing director will be taken by Mr Paddy Linaker, currently heed of the investment division.

See Lex

Nikki Tait looks at the growth of Britain's largest unit trust group

Flying the flag of independence

"YOU KNOW something?" challenged an ebullient David Hopkinson, managing director of Britain's largest unit trust group, yesterday. "All really good investment decisions are taken when shares are falling — not when they're going up."

On that basis, merchant hanker Kleinwort Benson—which is finally parting with a 37.4 per cent stake in M&G via a £75.6m offer for sale, retaining just 4.2 per cent takes the cake, buying low and selling high.

Kleinwort's initial holding dates back to 1959—bought by the then Robert Benson Lonsdale as post-war restrictions eased and the unit trust boom started to get under way. M&G—White Drummond at the time—looked under-capitalised in a new marketing-oriented world. Today, so the story goes, Kleinwort is selling those shares for 3,000 times thoir original cost.

And the most significant recent eddition to Kleinwort's holding came in 1980, when an unexpected £7m tax hill loomed over the unit trust group. Kleinwort promised £5m in support, in return for the right to raise its stake to 51 per cent. In the event M&G retained its independence, and tha bankers' holding nndged ahead from 37.5 to 42.5 per cent.

But there remains the second half of Mr Hopkinson's advice. M&G's shares have trebled from their 1985 low, as private investors have piled into units on the back of a booming equity market, and profits have surged. Can the good times last?

Compared with the current fashion for all-in-one financial services groups, M&G is remarkably single-minded. That hasn't always been so—the company's origins dig back to 1900,

Mr David Hopkinson, the M & G managing director

when it started life as an engineering business, building, amongst other things, London's Ritz hotel, and Singapore's tramways.

It was in the late 1920s that White Drummond's chairman, Mr George Booth, paid a visit to the States. He liked the look of American mutual funds. In 1931, M&G launched Britain's first unit trust.

Today, funds under management total over £4bn, with the bulk—61 per cent or £2.6bn—still spread between the company's 27 euthorised unit trusts. Life funds account for another 18 per cent of the total (£763m); institutional clients, 17 per cent (£706m); and offshore funds 2 per cent (£66m).

One concession to all-in-servicing was the launch of e high interest cheque account in early-1984, which currently holds £81m. But there beve been no other offshoots, no Big Bang link-ups, and it is Mr Hopkinson's determination to he seen as independent which underlies the sale.

M&G holds declarablo stakes in around 250 companies. Kleinwort is one of the largest merchant banks. "In the City, it is getting more and more difficult to convince people that we don't talk about these things," says Mr Hopkinson, "and the Take-over Panol's rules are getting more and more complex."

Moreover, Kleinwort is now a direct competitor. It introduced its own unit trusts in the early eighties and currently manages around £900m for unitholders.

For Kleinwort's timing of tha sale could scarcaly be bettered. M&G is forecasting pre-tax profits in the year to end-September of not less than £15.5m—compared with £10.1m in the previous year, £7m in 1983-84, and £6m in 1982-83. Those four years of eccelerating growth follow five leaner years al the turn of tha decade when the pre-tax total yo-yoed between the £2m and £4m level.

In part the sharp upswing comes from higher stock market level and renewed interest from small investors in the eouity market. The number of M&G unitholder accounts has increased from 323,000 to 340,000 over the past 12 months.

But tha group bas also benefited from the first full year in which the annual charge to unitholders has stood at ¾ per cent—rather than ½ per cent. Annual charges account for around half the group's profits, and on 18 trusts there is the ability to raise these to 1 per cent on three months notice. "Overseas funds will be first," says M&G. "We wouldn't expect this on the others for two or three years."

That growth comes though, against an even largor rise in the unit trust industry overall. With the entry of insurance companies over the past 12 months, the number of unitholder accounts haa risen by a quarter—from 2.5m to 3.1m, while funds under management have enjoyed a 65 per cent increase to £29bn.

M&G regained its position as Britain's largest unit trust group in 1984—but makes no secret that it expects its market share already down from around 15 per cent five years ago to the current 10 per cent, to shrink further as rivals pile in.

Competition is not the only pressure. Costs have also been on the rise—in 1984-85, while revenue rose 36 per cent, marketing and commission charges rose 48 per cent. In the first half of 1985-86, though, the revenue side took over—up 33 per cent while costs jumped by just 26 per cent.

Certainly, M&G is putting its weight on "direct mail" marketing. Unlike many unit groups it does not have a direct salesforce, selling half its business through intermediaries and half through mailshots and direct advertising. That mail order base now tops around 1.2m people — 160,000 existing unit holders, 200,000 who have answered ads do not currently bold units, and a target audience of 800,000.

Lower share-dealing commission costs and competition on newspaper ad rates is all grist to M&G's mill. Against that, there is the clout of the Prus, Standard Lifes and Commercial Unions all anxious for a chunk of the lucrative unit trust market. And standing in the wings is a potential new role for the building societies in investment marketing.

COMPANY NEWS IN BRIEF

THIRD MILE Investment (investment holding company): Profits £118,329 (£70,598) for first half of 1986, before tax £13,080 (£14,584). Earnings per 25p share were 4.39p (2.34p) and interim dividend 1.09p (0.8p) net. Turnover £759,726 (£845,243).

BRITISH-BORNEO Petroleum Syndicate—Net profit for half year ended September 30 1986 was £626,000 (£557,000) after tax £264,000 (£262,000). Earnings 13.9p (12.4p) per share and interim dividend 7p net (6p). Investment income £851,000 (£864,000) and profit on dealings £55,000 (£70,000). At Seplember 30 qnoted investments showed unrealised appreciation of £18.25m (£16m at March 31). Cash was £1.3m (£1.41m).

ARBUTHNOT JAPAN Growth Fund: Dividend for year to September 30 1986 unchanged at 0.25p. Gross revenue £13,618 (£15,728); operating expenses £28,688 (£18,743), leaving a deficit for the year of £15,070 (£3,015).

INTERNATIONAL INVESTMENT Trust Company of Jersey: After tax of £63,000 (£182,000) losses were £261,000 (£23,000 profits) for the first half of 1986. Losses per £1 share 24.8p (1.6p earnings).

ARBUTHNOT GOVERNMENT Securities Trust: Net revenue after all charges for year to August 31 1986, £4.87m (£4.73m). Total dividend 10p (11p) already paid.

R. E. A. Holdings (tea plantations, commodity trading and warehousing): In the first half to June 30 1986 pre-tax losses were £572,000 (£142,000 profits). Group turoover rose from £16m to £17.4m. The directors blamed the bad showing on losses from plantation activities and a high interest charge—£391,000 (£209,000).

UK COMPANY NEWS

Acquisitions boost Coloroll midway

BY DAVID GOODHART

Coloroll Group, the UK's largest integrated home fashion company, has announced half year results slightly ahead of market expectations with pre-tax profits up 47 per cent to £3.5m and turnover up 69 per cent to £44.4m.

The figures are considerably boosted by acquisitions and include, for the first full six months, Wallmates in the US, now fully controlled by Coloroll, Worley Wallcoverings acquired for £2m, Alexander Drew the textile manufacturer bought for £2.5m, and three and two month contributions, respectively, Biltons and Staffordshire Potteries, the two ceramics companies.

Mr John Ashcroft

Despite increasing the share capital from 27.8m shares to 41.3m since April 1 1986 earnings per share rose by 23 per cent to 6.4p from 5.2p (restated from 5.3p). Mr John Ashcroft, chairman, said the outlook was promising. "The medium term prospects are excellent given the level of new business envisaged from the integrated home fashion concept increasingly sought by our major customers."

Coloroll designs, manufactures and markets, wallcoverings, household textiles, furnishings and ceramic tableware has for the first time provided a breakdown for its six divisions.

Pre-tax profits for the six months to September 30 were up to £1.66m from £1.16m for the largest division UK Wallcoverings, which had half year turnover of £21.67m, home furnishings profit was £570,000 (£315,000), packaging £300,000 (£228,000), (USA) wallcoverings £509,000 (£750,000). Australia reduced its loss from £70,000 to £28,000 and the limited first contribution from the ceramics division came to £490,000.

Coloroll has increased market share in UK wallcoverings from 3 per cent in 1978 to 30 per cent and following its double purchase in ceramics now has the largest UK market share of the earthenware sector, at 28 per cent.

The company said the profits dip in the US came from new products designed to appeal to the DIY market but it was confident of a very positive full year. In Australia the company is hoping to move into profit on the full year.

Coloroll also announced Staffordshire Potteries had achieved its pre-tax profit forecast of £1.45m on turnover of £25.2m, for the year ended June 30.

Interim dividend was up by 15 per cent at 2.3p.

● comment

John Ashcroft has for several years successfully defied conventional wisdom by squeezing plenty of money from the bottom end of supposedly declining markets such as wallcoverings. He has now added two further *strings to his bow*—which should take Coloroll to a capitalisation of over £300m by 1990. First he has spotted the opportunity for a manufacturer to follow the retailing trend towards co-ordinated home fashion packages, which could considerably boost returns to Home Furnishings over the next few years. Second, in the manner of the engineering mini-conglomerates, he has developed a good eye for production-led companies in his sectors—wallcoverings, textiles and ceramics—which are crying out for marketing and financial expertise. Staffordshire Potteries should be a case in point. Coloroll has already taken out £2m of overheads and will be able to salvage something from Staffs' misguided expansion into dinner-ware (its mugs are performing well). Margins for the group are still below the 10 per cent target but that should soon be rectified. On an estimate of £9.6m pre-tax for the full year it is on a p/e of just under 15.

Westbury's first half shows 44% profit rise

Westbury, the housebuilding group, lifted its pre-tax profit by 44 per cent to £2.81m in the half year ended August 31, 1986, and says all indicators for trading in the remainder of the year are favourable.

The group's shares were offered for sale in May at 145p. In September it expanded by acquiring the Midlands housebuilding operations of Christian Salvesen for £12.6m financed by a share offer.

At the time of the acquisition the directors said Westbury trading profits for the half year were £3.66m (£3.06m). That figure was achieved and, with a reduction from £1.12m to £849,000 in interest charges, the pre-tax profit was £2.81m (£1.95m).

In the half year the group sold 824 units, compared with 861, but produced a turnover of £32.2m (£29.4m. This was in line with its policy of building more detached houses at higher prices.

The acquisition of the former Salvesen operation brought in a land bank of 1,300 plots on 21 sites.

Earnings were 7.63p (6.75p) per share, and an interim dividend of 1.5p net is being paid. For the 1985-86 year the pre-tax profit was £4.26m.

Windsmoor's profits fail to match expectations

Windsmoor, the woman's fashion manufacturer which amid controversy obtained a full listing in July this year, reported lower than expected pre-tax profits of £881,000 in the six months to August 28 1986. Compared with £915,000.

In August, Windsmoor parted company with its issuing house, Chase Manhattan Securities, following the revelation that some staff had applied on their own accounts for Windsmoor shares. They then "stagged" the issue by promptly selling them at a profit.

The directors said that the year had begun well, despite difficult trading conditions. However, they reported that the need to take higher than usual markdowns to clear spring and summer stocks and to make conservative stock writedowns at the end of the first half, had together resulted in sales and profits being lower than had been anticipated.

They reported that the company had opened a further 43 Windsmoor and Planet concessions this year, of which 21 had started trading during the first six months. Further openings were expected before the year end.

Trading in the concessions so far in the second half had been rather slow, they said, although Windsmoor's wholesale activities—particularly sales of own-label merchandise — had progressed well. They suggested that the second half would not account for such a high proportion of year-end profits as it did last time.

After tax of £339,000 (£371,000), earnings per 5p ordinary share worked through at 2.62p, up from 2.32p last time.

The directors declined to declare an interim dividend but said that they intended to recommend a final of 2p.

Investment income lifts Caledonia profit to £5m

A sharp rise in investment income boosted pre-tax profits of Caledonia Investments by 30 per cent to £5.2m in the six months to September 30 1986. Pre-tax profits in the same period last year were £4m.

Caledonia's main investment is a 46.6 per cent stake in British & Commonwealth Shipping, the holding company where Mr John Gunn was recently appointed chief executive.

The interim dividend is increased to 2.2p from 2p from earnings per share up from 2.73p to 3.64p.

Turnover rose 12 per cent to £5.7m (£5.1m) and investment income was up 29 per cent to £4.42m (£3.42m). Net interest receivable was £308,000 (£144,000) and administration expenses totalled £114,000 (£95,000). The trading profit was barely changed at £583,000 (£581,000). Minorities were £65,000 (£59,000) and tax took £1.58m (£1.26m).

Amber Industrial Holdings, the industrial aerosols manufacturer controlled by Caledonia Investments, announced pre-tax profits up 6 per cent at £512,000 (£481,000) during the same period, on turnover up fom £4.17m to £4.6m.

Amber's principal subsidiary, Ambersil, performed strongly over the period but contributions from Causeway Steel and March Cold Stores were reduced, the directors said.

The interim dividend is increased to 3p (2.8p) on earnings per share up from 11p to 12.2p.

Newmarket's US hopes

Newmarket Company, a leading venture capital group, suffered a 5 per cent fall in dollar terms in net asset value per share in the three months ended September 30 1986. However, in sterling terms, the performance showed a marginal 0.6 per cent improvement.

Net asset value at end September was $2.38 (£1.64) per 5 cents share compared with $2.51 (£1.63) at June 30 1986 and $2.38 (£1.71) at September 30 1985.

Mr Alan Henderson, the chairman, said that the American stock market during the period had been disappointing, culminating in a major decline in share prices in September.

Since the end of September, stock market fears of a recession in the US had receded and the company had seen an encouraging rise in the value of a number of its US quoted investments.

Grampian TV jumps 64%

Grampian Television, the Independent Broadcasting Authority contractor for the north of Scotland, revealed pre-tax profits up 64 per cent from £261,745 to £428,458 in the six months to August 31 1986. Turnover moved ahead from £7.5m to £8.8m.

Mr Iain Tennant, chairman, said that an improvement in advertising revenue had been responsible for the first half upturn. But he noted that while the trend in national advertising revenue was upwards, a greater proportion had been spent in the south east of England than ever before.

However, he said that provided national advertising revenue remained buoyant, he expected the company to report full-year profits before Exchequer Levy in excess of the £1.65m of the year ended February 28 1986.

After tax charges of £176,000 (£121,000), earnings per 10p ordinary share worked through at 1.87p—up from 1.04p last time.

The directors have declared an unchanged interim of 0.43p.

COMPANY NEWS IN BRIEF

HAWKER SIDDELEY CANADA: Sales in the nine months ended September 30 1986, up from C$292.28m to C$305.62m and pre-tax income from C$21.58m to C$24m. A current exchange rates sales for the period were £156.4m and the pre-tax income £12.3m.

AMBRIT INTERNATIONAL (USM quoted oil and gas exploration and development group). Operating loss £1.02m (£7,214 profit) for first half of 1986. Loss before tax £996,016 (£55,139) and loss per 25p ordinary (restricted voting) share 4.7p (0.3p).

WEIR GROUP subsidiary, Peacock Inc, has purchased the engineering services and hydraulic distribution business of Curtis Hoover at Edmonton (Alberta) and Fort St John (British Columbia) for C$5.3m (£2.7m). Curtis Hover had sales of C$10m in the ten months to end-August. Weir recently sold most of its steel foundry activities for £9.3m cash.

GRAND CENTRAL INVESTMENT HOLDINGS: Interim dividend 0.25p for six months to June 30 1986. Turnover £1m and pre-tax profit £143,900 (loss £18,847). Tax £35,039

McINERNEY PROPERTIES (Dublin-based construction company and housebuilder); Interim dividend 1p (same) for six months to June 30 1986. Turnover I£36.19m (I£29.13m). Pre-tax profit I£1.06m (I£668,000). Tax I£448,000

SUNLEIGH ELECTRONICS (USM-quoted electronic and optical equipment maker): Maiden interim dividend 0.125p for six months to first half of 1986. Turnover £2.49m (£1.52m) and pre-tax profit of £289,000 (£156,000).

WILLIAM BOULTON — For year ended June 30 1986 loss was £214,000 (£1.18m) on turnover of £7.86m (£20.36m). Extraordinary charges £805,000 (£1.87m) reflecting net loss on sale of William Boulton and Boulton Industrial Furnaces, and other transactions.

TR INDUSTRIAL and General Trust: Interim dividend 1.5p (1.4p) net for six months to September 30 1986. Final not less than 2.6p (same) forecast on present capital. One-for-one scrip proposed. Net asset value at September 30 268.6p (197.9p) after deducting prior charges at par. Net revenue for half year £5.41m (£5.5m).

W B INDUSTRIES: No interim dividend for six months to June 30 1986. Turnover £2.28m (£2.14m) and pre-tax profit £23,509 (£26,053 loss) after exceptional income £128,225 (£33,567) and interest charges of £29,556 (£30,123).

TR AUSTRALIA'S net asset value fell by 7.1 per cent to 99p at year ending August 31 1986. This improved to 110p by September 30. Total revenue rose from £1.7m to £1.91m

NORTH ATLANTIC SECURITIES (investment company): Final dividend unchanged at 2.4p, making 3.4p (3.4p) for year ended September 30, 1986. Net asset value 461.3p (316.1p).

VICKERS has sold the business of the Crabtree Vickers Gateshead division for some £3m to a management team headed by Mr Karl Watkin, managing director. The buyout was arranged by Candover Investments.

Carclo raising borrowing limit

Carclo Engineering Group plans to buy in all its 195,000 issued 5.95 per cent £1 cumulative preference shares at par, as a prelude to increasing its borrowing limit from one to 1½ per cent times its capital and reserves.

The approval of the owners of this class of preference share is required for the increase and the buy-in is intended to facilitate this move.

Carclo is currently making a £16.1m agreed takeover bid for Jonas Woodhead, another specialist engineer.

LONDON RECENT ISSUES

EQUITIES

Issue Price	Amount Paid up	Latest Renunc. Date	1986 High	1986 Low	Stock	Closing Price	+ or −	Net. Div.	Times Cov'd	Gross Yield	P.E. Ratio
—	F.P.	—	35	27	Australia Inv. Wnts	33	......	—	—	—	—
237	F.P.	—	237	—	Avis Europe	237	......	R7.6	2.4	4.5	13.2
¶170	F.P.	28/11	207	186	BakerHarrisSaund's10p	204	−2	R4.0	2.7	2.8	19.1
§38	F.P.	28/11	42	39	‡B.C.E. Hldgs 5p	39	......	Rd1.0	3.0	3.6	13.0
§115	F.P.	14/11	122	120	‡Berry, Birch 10p	121	......	R2.5	2.2	4.9	13.0
§95	F.P.	21/11	145	117	‡Blenheim Exhibits. 5p	125	−2	u2.1	3.2	2.4	17.1
§100	F.P	21/11	109	100	‡Citygrove 10p	101	......	R2.5	2.7	3.5	14.7
§105	F.P.	16/10	112	100	‡Eve Construction	110	......	u4.5	3.2	5.8	7.7
§135	F.P.	24/10	166	145	‡Great Southern 10p	162	......	R5.2	2.2	4.5	13.9
—	F.P.	—	28	27	Group Development	28	......	—	—	—	—
185	F.P.	7/11	208	188	‡Interlink Express 5p	206	+2	R3.5	3.2	2.4	18.7
§135	F.P.	24/10	255	145	‡Local London Group 5p	255	......	W5.0	1.8	2.8	28.7
110	F.P.	5/11	141	119	Marlbor'gh Tech Man 5p	136	+4	R2.70	3.1	2.8	13.7
135	F.P.	20/11	154	143	Mecca Leisure 10p	150	......	R4.1	2.2	3.8	16.4
§105	F.P.	24/10	182	133	‡Miller & Santhouse 5p	182	+4	u2.25	2.4	1.7	34.0
§175	F.P.	24/10	79	72	‡Newage Trans 5p	72	......	R3.5	2.5	6.9	8.2
§90	F.P.	24/10	94	88	‡Radamec Group 5p	94	......	R1.28	5.7	1.9	12.9
§95	F.P.	21/11	97	89	‡Rotunda 10p	89	......	R30.3	2.8	4.7	10.7
¶110	F.P.	24/10	108	101	‡Ryman 5p	102	......	L1.5	3.2	2.1	17.1
100	50	14/11	102	79¾	TSB	80	−½	—8	—	4.6	9.9
—	F.P.	—	52	52	Trinova $5	52	......	1.5c	—	2.0	—
§160	F.P.	5/12	179	163	‡Whitney Mackay 10p	165	......	R4.0	3.0	3.4	13.6
104	F.P.	5/12	89	80	‡Wooltons Bet'ware 10p	89	+4	dR3.7	1.5	5.9	16.2

FIXED INTEREST STOCKS

Issue Price £	Amount Paid up	Latest Renunc. Date	1986 High	1986 Low	Stock	Closing Price £	+ or −
‖	Nil	17/12	170pm	140pm	Bristol Oil & Min 3% Cnv 2nd Mt Deb 1989	170pm	......
§100	£10	8/1	12½	10	East Worcs. Water 12½% Red Deb 94-96	10	......
§100	£10	29/1	10¼	8⅝	Essex Water 11¼% Red. Deb. 2002-04	10½	......
¶101.41	£10	26/2	11¼	8	do 8⅝% Red. Pf 1993	11	......
§100	F.P.	—	107p	106p	Fed. Housing 9½% Cum. Red. Prf	107p	......
‖	Nil	16/12	9ppm	¼ppm	Hartons 7% Cnv. Cum. Red. Prf	¼ppm	−¼
§100	£10	15/5	9½	2	Mid-Sussex Water11% Red Deb2012-16	5¼	+¼
—	F.P.	—	100⅞	100	Nationwide11¼% 26/10/87	100⅛	......
¶101.87	£10	22/1	11¼	9	Portsmouth Wtr. 8¼% Red. Pf 1996	10	......
96.645	£25	8/1	24¼	17	Scot. Met. Prop. 10¼% 1stMort.Deb.2016	19½	......
¶102.25	£10	8/1	11¼	9	Tendring Hundred Wtr 8¼% Rd. Pf 1996	10	−1

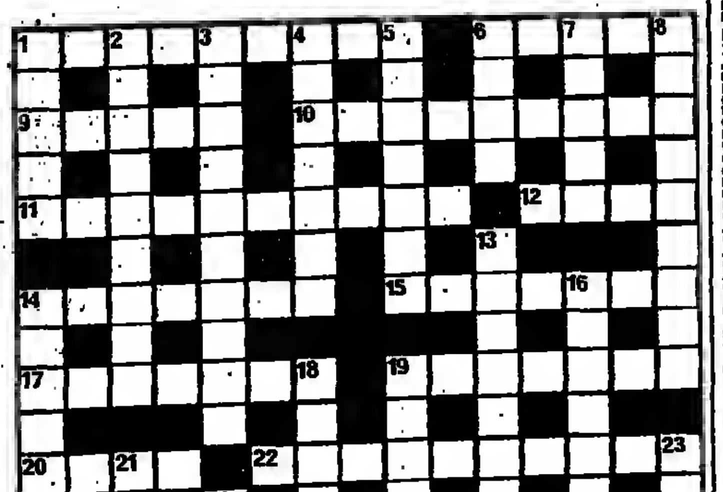
"RIGHTS" OFFERS

Issue Price	Amount Paid up	Latest Renunc. Date	1986 High	1986 Low	Stock	Closing Price p	+ or −
137	Nil	19/12	18pm	5pm	Bellway	5pm	−1
330	Nil	16/12	67pm	46pm	Blue Arrow	67pm	+1
70	Nil	—	8pm	2½pm	Brit. Benzol 10p	4pm	+1½
86	Nil	12/12	6pm	4pm	Brown Boveri	4pm	......
12	Nil	—	1¾pm	1½pm	Elswick 5p	1½pm	......
285	Nil	15pm	15pm	3pm	FR Group	4pm	......
40	Nil	—	16pm	13pm	Petrocon 12½p	13pm	−1
100	Nil	—	50pm	10pm	Ratcliffe (F.S.) Inds.	10pm	......
350	Nil	—	53pm	37pm	Redland	53pm	+7
720	Nil	9/1	16pm	2pm	Siebe	4pm	......

Renunciation date usually last day for dealing free of stamp duty. a Annualised dividend. b Figures based on prospectus estimates. d Dividend rate paid or payable on part of capital, cover based on dividend on full capital. g Assumed dividend and yield. h Assumed dividend and yield after scrip issue. F Forecast dividend cover on earnings updated by latest interim statement. H Dividend and Yield based on prospectus or other official estimates for 1987. L Estimated annualised dividend, cover and p/e based on latest annual earnings. R Forecast annualised dividend, cover and p/e ratio based on prospectus or other official estimates. W Pro Forma Figures t Indicated dividends; cover relates to previous dividend; p/e ratio based on latest annual earnings. u Forecast, or estimated annualised dividend rate, cover based on previous year's earnings. ¶ Issued by tender. ‖ Offered holders of ordinary shares as a "rights." ‡‖ Introduction. ** Issued by way of capitalisation. § Placing price. §§ Reintroduced. ¶¶ Issued in connection with reorganisation merger or takeover. ■ Allotment price. ‡ Unlisted securities market. †† Official London listing. ‡‡ Including warrants entitlement.

FT CROSSWORD PUZZLE NO. 6,171

HIGHLANDER



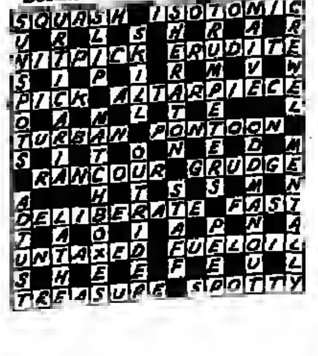
ACROSS

1 Where three Magi found sanctuary? (9)
6 Costume is to scale (3, 2)
9 Ready to drop every charge included (3, 2)
10 Angered or upset by an instrument (4, 5)
11 Secondary pupils and staff take a trip by train (4, 6)
12 Cut left to go on swelling (4)
14 Sauce-boat at University (7)
15 Essential part of electric heater (7)
17 Ride off with information about rough water (4-3)
19 Crude cut goes in the air (7)
20 Length of small Scottish island (4)
22 France and this place combine spiritually (10)
25 Volte-face as regards union with Navy (5-4)
26 Top grade mountain on outskirts of Haifa (5)
27 Standing before the court (5)
28 Sounds enthusiastic and is backing a new kind of economic theory (9)

DOWN

1 According to Macbeth, blasted party leader once (5)
2 Embarrassed about envoy being banished (9)
3 Ten to get; no-ball; it's in the sky (10)
4 Puffs on joint—one means to take a trip (7)
5 Sees rock as something ugly (7)
6 Try t get the same backing. OK? (4)
7 Difficult to get stretched (5)
8 First play with words mildly, then bitterly (9)
13 Decline of French groups taking leading part in terrorism (10)
14 Sound made by cat to arouse bird (9)
16 They grow tall in Australia. A pity clue is nonsense (9)
18 Gather it includes religious writings—whatever is available (7)
19 Action taken by French Marshal at Waterloo (the east end) (7)
21 Caught nothing, so split (5)
23 Hanker after an unknown make (5)
24 Occupied by a bird (2, 2)

Solution to Puzzle No. 6,170



AUTHORISED UNIT TRUSTS

Abbey Unit Tst. Mngrs. (a)
80 Holdenhurst Rd, Bournemouth 0345 717373

	Bid Price	Offer Price	+ or −	Yield Gross
High Income				
Gilts & Fixed Int.	107.6	113.8xd	−0.1	10.54
High Inc Equity	94.5	100.5xd	+0.4	5.17
Worldwide Bond	192.4	205.9	−1.2	4.71
Capital Growth				
American Growth	159.6	169.7	+0.7	0.83
Asian Pacific	57.0	60.9	+0.2	1.86
Assets & Earngs. Tst.	107.0	123.8xd	+1.4	2.53
Capital Reserve	65.0	65.5	−0.1	1.56
Commodity & Engy	94.0	100.0	+0.9	1.14
European Capital	98.1	104.3	−1.3	1.22
General	136.4	145.0	+0.9	2.93
Japan	72.3	77.3xd	+0.3	0.0
Masterunit	66.4	70.6	—	2.32
UK Growth Acc Units	146.4	156.0	+0.9	1.00
UK Growth Dist	101.9	108.4xd	+0.6	1.45
U.S. Emerging Co's	56.6	60.8xd	+0.3	0.08
Equitas Prog	202.1	215.0xd	+0.8	3.38

Allied Dunbar Unit Trusts PLC (a)(g)
Allied Dunbar Centre, Swindon, SN1 1EL
(0793) 28291. Dealing (0793) 610366

	Bid Price	Offer Price	+ or −	Yield Gross
Balanced Trusts				
Growth & Inc Trust	131.7	139.4xd	+0.9	3.24
Capital Trust	224.2	237.4xd	+1.3	2.91
Balanced Trust	357.5	379.0	+2.2	3.41
Accum Trust	546.7	579.5xd	+2.9	3.05
Income Trusts				
American Income Tst.	33.6	35.9	−0.1	4.17
High Income Trust	250.0	265.0	+1.4	4.90
Equity Income Trust	141.3	149.8	+0.9	5.05
High Yield Trust	143.7	152.3xd	+0.5	5.38
Govt Secs Trust	27.3	28.4xd	......	10.14
International Trusts				
Amer Spec Sits Tst	68.8	73.3xd	+0.1	2.34
European Growth Tst.	—	25.0	......	0.80
International Tst.	89.2	95.0	−0.4	0.85
Japan Tst.	112.9	120.2	−0.6	0.01
Pacific Tst.	185.5	197.4	+0.1	0.91
Secs of Amer Tst.	212.8	226.6	−1.7	0.92

[illegible]

FT UNIT TRUST INFORMATION SERVICE

[illegible]

AUTHORISED UNIT TRUST & INSURANCES

Whittingdale Unit Trust Managers
2 Honey Lane, London EC2V 8BT 01-606 9085/6

Challenge Fund	50.0		—	2.00
Short Dtd Gilt Fd	68.2	69.5	—	—
U.S. Govmt Bond Fd.	$0.515	0.518xd	—	—

Windsor Trust Mngrs Ltd
83 Kingsway, London, WC2B 6SD 01-405 8331

Capital & Equity Tst	48.8	52.0	+0.5	7.55
Growth Trust	53.2	56.8	—	2.18
Income Trust	55.2	58.8	+0.7	4.92

Wright Seligman Fund Managers Ltd
71 Bloomfield St, London EC2M 7AY 01-588 0592

Growth Fund	71.8	74.0	—	2.80

Weekly dealing day Tuesday

The Yorkshire General Trust
Woodsome Pk, Fenay Bdge, Huddersfield 0484 602250

Y.G.T.	131.5	139.9	-0.2	3.06

INSURANCES

AA Friendly Society
(Investment Mngt M & G Inv Mngt Ltd)
PO Box 93 Cardiff CF1 4WW 0222 35542

AA Friendly Sy Oct 8		102.8	—	—

Abbey Life Assurance Co Ltd
80 Holdenhurst Road, Bournemouth 0202 292373

Prop. Ser. 1	199.9	210.5	—	—
Equity Ser. 1	103.9	109.4	+1.5	—
Pens. Acc. Ser 2	279.1	293.8	—	—
Equity Ser 2	212.9	218.9	+1.7	—
Selective Acc	238.2	250.8	+1.9	—
Prop. Ser. 4	220.9	232.6	—	—
Equity Ser. 4	115.3	121.4	+1.4	—
Fixed Int. Ser. 4	175.4	184.6	+0.3	—
Indexed Inv. Ser. 4	108.7	114.4	—	—
American Ser. 4	261.9	275.7	+0.5	—
High Inc. Ser. 4	288.8	304.0	+3.1	—
Japan Ser 4	224.1	235.9	-0.2	—
Man. Ser. 4	348.9	367.3	+1.2	—
Money Ser. 4	197.3	207.7	—	—
European Ser 4	121.5	127.9	-0.8	—
Pension Funds				
Property	358.5	377.4	—	—
Equity	770.6	811.2	+9.7	—
Selective	252.0	265.3	+1.9	—
Managed	615.6	648.0	+2.2	—
[illegible]				

City of Westminster Assurance
Sentry House, 500 Avebury Boulevard, Cent Milton Keynes MK9 2NU Tel: 0908 690888

Current Series				
Property Fund	118.0	124.3	—	—
Money Fund	225.1	237.0	—	—
Managed Fund	403.6	424.9	-0.1	—
Equity Fund	253.6	267.0	+0.5	—
Fixed Interest Fund	140.6	148.0	+0.5	—
Far East Fund	201.3	211.9	-1.9	—
North American Fund	176.4	185.7	-0.5	—
Natural Resources Fund	145.8	153.5	+0.9	—
Pension Managed Fund	379.3	399.3	-0.3	—
Pension Equity Fund	251.7	265.0	+0.4	—
Adventurous Mngd Fd	123.7	130.3	+0.5	—
Balanced Mngd Fd	122.1	128.6	+0.8	—
Conservative Mngd Fd	115.9	122.0	+0.8	—
European Fund	108.2	113.9	+0.8	—
International Fund	117.9	124.2	+0.4	—
S.U.R. Flexible Fd	126.4	133.1	+0.1	—

For other prices please telephone 0908 606101/660088

Clerical Medical/Fidelity International
Narrow Plain, Bristol BS2 0JH 0272 290566

Investment Funds				
Mixed	133.9	141.0	+0.4	—
Equity	152.4	160.5	+1.6	—
Property	110.5	116.4	—	—
Gilt & Fixed Interest	107.9	113.6	-0.4	—
Indexed Securities	97.9	103.1	+0.4	—
Cash	108.3	114.1	—	—
North American	113.6	119.6	-0.2	—
Far East	123.3	129.8	+1.3	—
International	127.1	133.8	-0.1	—
Special Situations	145.1	152.8	+0.2	—
International Income	144.0	151.6	+0.2	—
American Income	123.3	129.8	-0.6	—
European	148.1	155.9	-0.6	—
Flexible Retirement Plan				
Mixed	137.4	144.7	+0.4	—
Equity	146.5	154.3	+1.7	—
Property	115.8	121.9	+0.2	—
Gilt & Fixed Interest	114.0	120.0	-0.4	—
Indexed Linked	99.3	104.6	+0.2	—
Cash	116.6	122.8	+0.1	—
North America	120.5	126.9	-0.7	—
Far East	155.9	163.1	+1.7	—
International	134.3	141.4	-0.1	—
Special Situations	163.4	172.0	+0.2	—
European	170.1	179.1	-2.5	—
Executive Investment Pension Plan				

Prices on October 29. Unit dealings on Wednesday.

Cash Fd.	140.5	148.0	—	—
[illegible]				

[illegible]

INSURANCE, OVERSEAS & MONEY FUNDS

MANAGEMENT SERVICES

OFFSHORE AND OVERSEAS

Money Market Trust Funds

Money Market Bank Accounts

NOTES

Prices are in pence unless otherwise indicated and those designated $ with no prefix refer to U.S. dollars. Yields % (shown in last column) allow for all buying expenses. Prices of certain older insurance linked plans subject to capital gains tax on sales. a Offered prices include all expenses. b Today's prices. c Yield based on offer price. d Estimated. g Today's opening price. h Distribution free of UK taxes. p Periodic premium insurance plans. s Single premium insurance. x Offered price includes all expenses except agent's commission. y Offered price includes all expenses if bought through managers. z Previous day's price. ¶ Guernsey gross. # Suspended. ♦ Yield before Jersey tax. † Ex-subdivision. ‡‡ Only available to charitable bodies. ♦ Yield column shows annualised rates of NAV increase. xd ex dividend.

TRADITIONAL OPTIONS

3-month call rates

Industrials	p		
Allied-Lyons	27	NEI	8
Amstrad	15	Nat West Bk	48
BAT	35	P & O Dfd	45
BOC Grp	28	Plessey	16
BSR	11	Polly Peck	16
BTR	26	Racal Elect	15
Babcock	16	RHM	24
Barclays	42	Rank Org Ord	45
Beecham	40	Reed Intnl	25
Blue Circle	35	STC	13
Boots	22	Sears	12
Bowaters	32	TI	40
Brit Aerospace	42	TSB	8
Brit. Telecom	17	Tesco	36
Burton Ord	26	Thorn EMI	42
Cadburys	17	Trust Houses	15
Charter Cons	24	Turner Newall	18
Comm Union	28	Unilever	140
Courtaulds	26	Vickers	36
FNFC	17	Wellcome	17
Gen Accident	75	**Property**	
Gen Electric	15	Brit Land	16
Glaxo	85	Land Secs	30
Grand Met	40	MEPC	32
GUS 'A'	85	Peachey	24
Guardian	75	**Oils**	
GKN	24	Brit. Oil & Min	$3\frac{1}{2}$
Hanson Tst	12	Brit Petroleum	50
Hawker Sidd	42	Burmah Oil	32
ICI	75	Charterhall	4
Jaguar	42	Premier	$3\frac{1}{2}$
Ladbroke	32	Shell	65
Legal & Gen	28	Tricentrol	8
Lex Service	32	Ultramar	17
Lloyds Bank	38	**Mines**	
Lucas Inds	46	Cons Gold	62
Marks & Spencer	18	Lonrho	22
Midland Bk	48	Rio T Zinc	62
Morgan Grenfell	26		

A selection of Options traded is given on the London Stock Exchange Report Page.

COMMODITIES AND AGRICULTURE

Soviet gold sales to West up 50%, analyst claims

BY STEFAN WAGSTYL

THE SOVIET Union has increased sales of gold to the West in 1986 by more than 50 per cent in order to compensate for lower revenues from oil and gas, according to a leading precious metals market analyst.

Mr Jeffrey Christian, managing director of Christian, Podleska and van Musschenbroek, a New York research company, says that the Soviet Union will sell about 365 tonnes of gold this year, against an estimated 236 tonnes in 1985.

The 1986 figure is significantly higher than those of several other analysts and traders, who mostly expect 1986 sales to exceed 1985 by a smaller proportion. Forecasts range from 250 tonnes to 310 tonnes. It is common for there to be wide disagreement in the West about the extent of Soviet sales since Moscow does not publish any figures on the production or export of gold.

Mr Christian says the Soviet Union goes to some lengths to be discrete about its gold exports, often selling in centres in Continental Europe and in Japan rather than the markets in London and New York.

The fall in energy prices following the sharp drop in oil prices which began last November is the main reason why forecasters expect the Soviet Union to have increased gold sales this year. Western observers estimate that Moscow could have lost $7bn in foreign exchange earnings in 1986.

The Chernobyl disaster, which was originally expected to bring large cuts in energy exports as the Soviet Union used more oil and gas at home, is now thought to have been a less significant factor.

Traders in the London gold market say that the Soviet Union sold substantial amounts of gold in the first two months of 1986—taking advantage of a rally which saw prices rise above $360 an ounce. They say that after a lull in the spring and summer sales have recently been stepped up again. One trader said there had been fresh signs of selling in the last few days.

Australia blocks coal deals

BY CHRIS SHERWELL IN SYDNEY

THE AUSTRALIAN Government, which in September streamlined export control arrangements to limit its involvement, has recently intervened to vet two coal export deals with Japan. And the intervtion, believed to be the first since the revision, has since led to better prices being secured by the exporters.

The move is a strong reminder that, in spite of its lower key approach, the Australian Government is still prepared to intervene on trade matters when it believes it is necessary.

Coal is Australia's biggest mineral export, earning almost A$4bn (£1.8bn) in 1984. Although it is only the eighth largest producer, Australia is the world's largest coal exporter.

Japan is a major purchaser and contracts agreed with Japanese buyers are of considerable importance to the industry and to the economy.

The veto which came earlier this week follows regulatory changes which released Australian coal exporters from a commitment to consult the Government on the terms of proposed deals. The Government, however, retained powers to refuse an export permit in the national interest.

On Wednesday Mr John Dawkins, the Minister for Trade, told the Australian Coal Consultative Council that export settlements reached by two companies with Japanese buyers were not acceptable and had been stopped.

No details of the companies or the amounts and prices involved have been released. One deal was to sell weak coking coal to a Japanese steel company, the other was for steaming coal to a Japanese industrial customer.

Mr Dawkins said that both companies had since negotiated revised prices which were satisfactory. He also pointed out that these were the only cases of their type among 70 settlements reached since September, covering 10m tonnes of coal.

At the heart of the issue is Government concern that individual coal producers should not achieve settlements giving them short-term advantage over other suppliers which would force prices down to the detriment of the longer-term health of the industry.

The Government also argues that Japan should rely more on supplies from Australia, which has been a dependable and competitive supplier, rather than maintain purchases of non-competitive coals from its own producers and other countries.

Iceland and Soviet Union agree fish and oil deal

ICELAND appears to have made a breakthrough in difficult negotiations for 1987 oil supplies from the Soviet Union after the Soviet side agreed to buy 200,000 tonnes of Icelandic herring, reports Reuters from Reykjavik.

Mr Matthias Bjarnason, Iceland's Trade Minister, said in Moscow yesterday: "I am very pleased with the result and expect the negotiations for oil purchases will proceed without interruption."

Moscow had held back on buying herring because Iceland resisted a surcharge on Soviet gasoil, a refined product used to thin the heavier fuel oil supplied to Iceland, diplomats said.

Officials said Iceland had now secured a cut in the surcharge but gave no details.

Last month, Icelandic ministers said traditional purchases of Soviet oil could be jeopardised unless the herring problem was solved.

Iceland will buy 480,000 tonnes of oil in 1987 of which 330,000 tonnes will be from the Soviet Union, local traders said.

Brazilian orange juice price lifted

BRAZILIAN FROZEN concentrated orange juice (FCOJ) processors have decided to raise export registration prices by taking the average of the previous 20 days in the New York futures market, the Brazilian Juice Association (Abrassuco) president Mr Mario Branco Peres said yesterday, reports Reuter from Rio de Janeiro.

He said export prices would now range from $850 to $870 per tonne fob, up from a previous $800.

The previous registration price has been fixed by the Banco do Brasil's foreign trade department, Cacex, under a "gentleman's agreement." New prices would now be based on real market prices, giving processors more freedom, he said.

Mr Peres said a US Commerce Department rule setting provisional duties on Brazilian FCOJ exporters accused of dumping would be reviewed in March, not December as previously announced.

A Brazil-US trade row was already affecting orange juice sales to the US and other strong sectors, such as steel and shoes, would probably suffer similar consequences in the future, he added.

Cereal forecast

THE UN Food and Agricultural Organisation (FAO) has raised its world cereal production forecast for 1986 to 1,825m tonnes from 1,820m a month ago.

The latest forecasts, which reflects upward revisions for coarse grains and wheat, compares with a record estimated 1985 harvest of 1,887m tonnes.

Wheat production this year is estimated at 514m tonnes, from an estimated 510m in 1985, coarse grains at 836m tonnes against an estimated 865m, and rice at 475m tonnes against an estimated 466m.

Danish mink farmers expect higher prices

By Hilary Barnes in Copenhagen

DANISH MINK farmers, who are the world's biggest exporters of mink skins, expect substantially higher prices at the opening of the season in December, according to Mr Peter H. Krag, president of the Danish Fur Auctions.

Prospects for the rest of the year are uncertain. With a strong US market prices of mink could rise by 15-20 per cent, but if the US market is weak "we shall be lucky if prices rise by 10 per cent," said Mr Krag.

World production is expected to be 33-34m skins and as stocks are low there will be a satisfactory balance between supply and demand.

But Danish production is rising fast. In 1984 Danish farmers produced 6.6m skins; in 1985 8.1m and in 1986 production of 9.3m skins is expected, bringing an increase from 1984 to 1986 of 38 per cent.

Ivory Coast aims to boost coffee output

BY PETER BLACKBURN IN ABIDJAN

THE IVORY Coast, the world's largest producer of robusta coffee, plans to invest some $60m to raise annual ouput by 150,000 tonnes by the year 2000 according to Mr Dennis Bra Kanon, the Agriculture Minister.

Although he announced a record cocoa crop of 580,000 tonnes for the season ending September 30, 1986, the Minister gave no figure for coffee. Traders estimate the crop at 280,000 tonnes, some 20,000 tonnes down on 1984-85.

Ivorian coffee crops have been affected by ageing plantations and declining productivity. Farmers have tended to regard cocoa and food crops as more profitable, requiring less work.

The French aid agency Caisse Centrale de Co-operation Economique, is now considering financing a project to rehabilitate and extend the capacity of the country's coffee nurseries to 36.5m cuttings per year. The Government has set a planting target of 10,000 hectares per year.

At the same time the coffee tree pruning programme is being increased by one third. Incentives in cash and kind are being offered to help ensure the success of both the planting and pruning programmes.

Mr Bra Kanon strongly criticised the decline in coffee quality manifested this season by a record volume of nonsaleable black cherries amounting to 50,000 tonnes and representing a $30m loss in earnings in 1985-86.

William Dullforce on a wide-ranging fish industry study

EEC urged to look further afield for fish

THE EEC Commission should do more to gain access for its member states to fishing grounds instead of merely acting as internal policeman to the common fisheries policy. This view has emerged from a study of the world fish trade currently being carried out by Gira, the Geneva-based commodities consultants.

Gira has focused on the remarkable resurgence in fish and seafood consumption in the western world during the past few years which appears to be opening up business opportunities for astute investors.

At the same time the opportunities are not easy to pinpoint while governments and fishing industries are still struggling to adjust to the introduction of 200-mile exclusive economic zones off their coasts.

Fish is one—perhaps the only—food product the consumption of which is increasing in volume in the developed countries. But globally the market is in permanent undersupply (although there is an excess in some species such as mackerel), its characteristics are little understood and the investment prospects are at best opaque.

The absence of long-term perspective has been seized on by Gira, which is well known for its monitoring of the meat trade.

It will complete early next year for about 18 government, shipbuilding and corporate clients what it claims will be the biggest study ever made of the world fish system. Its researchers are analysing the efforts of 42 fishing countries which provide more than 90 per cent of the world fish catch.

They are also making detailed studies of demand and distribution patterns in the US, Japan and the larger countries of the EEC. Among other views which are emerging, Mr Alan Gordon, Gira's chairman, mentioned the following:

● The share of world fish output traded internationally is bound to grow. It represents a "privileged group of business opportunities."

● Trade in frozen fish blocks will be partly replaced by added-value frozen products ready for the consumer and high quality mechanically deboned fish flesh will be used in expanding range of "imitation" fish products or ready meals.

● A number of myths about the US fish market need to be exploded. It consumes over 1.5m tonnes of seafood a year but is not a "bottomless pit" for exporters. The retail price is the most important factor affecting sales and the amount of fish going to the catering business is 47 per cent of total consumption, not the two-thirds usually cited.

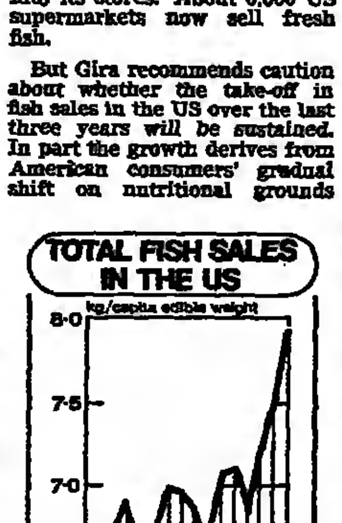
● Although several corporate fingers have been burnt in fish farming ventures, aquaculture already provides 8m tonnes a year of fish compared with the 80m-tonne wild catch and its impact will increase in the next 10 years. By 1995 it will be producing more highly priced white fish, such as turbot, sole, halibut, sea bass and sea bream, in addition to the Atlantic salmon, rainbow trout and shellfish now being farmed.

● Geopolitical factors will be crucial for access to fish resources. For instance, how fast will the US put into effect the announced exclusion of all foreigners from its 200-mile zone or will it turn to joint ventures with selected partners? The political motives behind the Soviet Union's massive worldwide fishing effort are fairly evident and tend to provoke counter-moves over fishing rights from the US and other countries such as New Zealand.

One of Gira's findings is that the prime stimulant for demand is currently coming through the larger retailers and through restaurants and caterers who offer fish dishes more frequently.

In the UK Mr Gordon sees Marks and Spencer as a model of what can be done with frozen and chilled fish, while in the US the supply push has come from supermarket chains such as Kroger's which was one of the first to install fresh fish counters into its stores. About 6,000 US supermarkets now sell fresh fish.

But Gira recommends caution about whether the take-off in fish sales in the US over the last three years will be sustained. In part the growth derives from American consumers' gradual shift on nutritional grounds away from beef and pork towards what are perceived as more "healthy" protein foods such as poultry and fish.



In 1960, Americans obtained 75.7 per cent of their protein intake from red meat, 15.1 per cent from poultry and 9.1 per cent from fish. By 1983 the figures had changed to 65 per cent from meat, 24.9 per cent from poultry and 10.1 per cent from fish.

Poultry has benefited more from the change. Fish is considered an up-market, fashionable food consumed largely by health-conscious higher-income groups who can afford the best quality fresh products.

Nevertheless, Gira's survey indicates fish consumption now reacts essentially to price fluctuations, and further market growth may well depend on whether Americans' preference for fresh fish gives way to more frozen products. US policy over its economic zone and the elasticity of supply to the US market will be other determinants.

In Europe the picture is even more fragmented; fish-eating customs vary enormously and the shake-out from the move to the 200-mile zone has been greater. Most countries have reduced sharply both their capital stock and number of fishermen and archaic systems of fish handling are being discarded.

West Germany and Spain offer the two extreme cases. Less than 30 per cent of Germans' 8.4-kilo per capita (liveweight) annual seafood consumption is landed by their own fishermen after their exclusion from the North Atlantic. Domestic demand is strongly fixed on bland, white protein.

Spaniards, on the other hand, are highly diversified in where they fish, what they catch and in the content of their 35-kilo annual seafood intake. Spain has an overall deficit on its seafood balance but net imports are only 12 per cent of consumption.

The big British processors—Ross, Findus and Birdseye—now have to turn to foreign suppliers for their fish blocks because the British fishing industry cannot offer consisitent supplies.

Generally, Gira finds, the EEC governments and Commission spend too much time haggling over who gets what in EEC waters instead of looking for opportunities elsewhere. Rich countries generally lack fishing vessels and ship-rich nations are short of fishing grounds.

Spain, with the biggest European fishing fleet, has concluded 13 bilateral agreements giving its rights in distant fishing grounds, but Gira feels the Community should be putting its combined weight into bargaining for access to American and South Atlantic waters.

LONDON MARKETS

BEARISH CHART signals and rising sterling against the dollar pushed copper prices lower on the London Metal Exchange yesterday. Prices moved a little higher initially, in response to news of a strike at Noranda's Horne division smelter. But the bearish tone, which had pushed cash metal down by £5.50 on Wednesday, was quickly re-established and the prompt position closed £14 lower at £905 a tonne—a two-month low. The Noranda smelter shut down after 800 of its 1,200 workers walked out in support of a pay claim. Workers and management are due to meet today. Other base metals were generally a little lower, reflecting the currency factor. On the coffee futures market prices recovered a substantial part of Wednesday's losses. Dealers said that fall, which took the January position £101.50 lower at £2,247.50 a tonne, appeared to have been overdone. January coffee closed yesterday at £2,287.50 a tonne, up £40 on the day.

LME prices supplied by Amalgamated Metal Trading.

ALUMINIUM

	Unofficial close (p.m.) £ per tonne	+ or —	High/Low
Cash	803.5-4.5	+0.6	807/804
3 months	806.5-7	—4.75	811/806

Official closing (am): Cash 806-7 (802-3) three months 808.5-9 (813.5-4) settlement 807 (803). Final Kerb close: 808.5-7.5. Turnover: 20,050 tonnes.

COPPER

Grade A	Unoffic'l close	+ or —	High/Low
Cash	900-10	—14.0	918/918
3 months	961-1.5	—10.5	941.5/961

Official closing (am): Cash 917.5-8 (921.5-2) three months 938-9 (944.5-5) settlement 918 (922). Final Kerb Close: 933-4.

Standard			
Cash	886-0	—12.0	—
3 months	910-3	—12.0	—

Official closing (am): Cash 895-7 (901-1.5) threemonths 915-20 (924-6) settlement 897 (901.5). US Producer prices 62.00-66.50 cents per lb. Total Turnover 48,125 tonnes.

LEAD

	Unofficial close (p.m.) £ per tonne	+ or —	High/Low
Cash	318-20	—3.0	322/322
3 months	313.5-4	—1.75	316.5/314

Official closing (am): Cash 321-2 (323-3.5) three months 314.5.5 (316-6.5) settlement 322 (326.5). Final Kerb close: 315-6. Turnover 3,500 tonnes. US Spot: 24.00-27.00 cents per lb.

NICKEL

	Unofficial close (p.m.) £ per tonne	+ or —	High/Low
Cash	2575-85	—8.0	—
3 months	2610-20	—7.5	2635/2610

Official closing (am): Cash 2540-2 (2582-5) threemonths 2622-4 (2616-7) settlement 2542 (2585). Final Kerb close: 2610-20. Turnover 1,014 tonnes.

TIN

KUALA LUMPAR TIN MARKET: Close 15.73 (15.87) ringgit per kg. Down 0.14 ringgit per kg.

ZINC

High grade	Unofficial close (p.m.) £ per tonne	+ or —	High/Low
Cash	600-2	—1.6	598/598
3 months	582-3	—5.0	588/572

Official closing (am): Cash 597-8 (606.57) threemonths 582.5-3 (580.5-1) settlement 598 (607). Final Kerb close. 580-2. Turnover: 9,450 tonnes. US Prime Western: 44.00-50.75 cents per lb.

GOLD

Gold rose $2 an ounce from Wednesday's close in the London bullion market yesterday to finish at $408-408½. The metal opened at $403¾-404¼ and traded between a high of $408½-409 and a low of $403-404. A weaker dollar helped sentiment as did reports that the Soviet Union may not sell as much gold because of harvest.

GOLD BULLION (fine ounce) Nov. 6		
Close	$408-408½	(£284½-285)
Opening	$403¾-404¼	(£282¾-283¼)
M'n'g fix	$405.00	(£283.812)
Aft'n'n fix	$408.85	(£285.899)

GOLD AND PLATINUM COINS		
Am Eagle	$424-429	(£296¼-299¼)
Mapleleaf	$418¼-422¾	(£292¼-295¼)
Kr'g'r'nd	$405½-403½	(£281¼-281¾)
½ Krug	$206-207	(£144-144¾)
¼ Krug	$104-105	(£72¾-73¼)
Angel	$414-417	(£289¼-291¼)
1/10 Angel	$43-45	(£30-32¼)
New Sov.	$95-96½	(£66¼-66¾)
Old Sov.	$95-97½	(£67-68)
$20 Eagle	$480-530	(£335¼-370¼)
Noble Plat	$571¼-581¼	(£399½-406)

SILVER

Silver was fixed 11p an ounce lower for spot delivery in the London bullion market yesterday at 393.45p. US cent equivalents of the fixing levels were: spot 561.25c, down 12.25c; three-month 569.15c, down 12.8c; six-month 577.25c, down 12.8c; and 12-month 594.9c, down 12.95c. The metal opened at 392-393½p (560-562c) and closed at 393½-395p (564-566p).

SILVER per troy oz	Bullion Fixing Price	+ or —	L.M.E. p.m. Unoffic'l	+ or —
Spot	393.45p	—11.5	393p	—5
3 months	403.60p	—11.5	404p	—5
6 months	413.95p	—11.9	—	—
12 months	436.70p	—12.2	—	—

LME — Turnover: 4 (20) lots of 10,000 oz.

Three months high/low 403.1p, final kerb 405.7p.

SOYABEAN MEAL

	Y'sterd'ys close	+ or —	Business done
	£ per tonne		
Dec.	132.5-132.8	—0.85	132.5-132.1
Feb.	133.7-134.5	—1.45	134.5-133.5
April	134.5-135.9	—1.35	—
June	131.5-133.9	—1.28	132.5
August	130.5-132.0	—1.35	—
October	132.5-134.5	—0.75	—
Dec.	134.0-137.9	—0.56	—

Sales: 103 (168) lots of 20 tonnes.

INDICES

REUTERS

Nov. 6	Nov. 4	M'th ago	Year ago
1604.6	1609.7	1566.1	1738.8

(Base: September 18 1931=100)

DOW JONES

Dow Jones	Nov. 6	Nov. 4	M'th ago	Year ago
Spot	120.58	121.48	—	110.60
Fut	120.26	120.50	—	121.02

(Base: December 31 1931=100)

MAIN PRICE CHANGES

In tonnes unless otherwise stated.

	Nov. 6 1986	+ or —	Month ago
METALS			
Aluminium			
Free Market	$1225/1235	+10	$1285/1295
Copper			
Cash Grade A	£905	—14	£923.5
3 mths	£931.25	—10.5	£945.5
Gold Troy oz	$408.25	+9	$433.375
Lead Cash	£319.5	—3	£306.5
3 mths	£313.75	—1.75	£306.25
Nickel			
Free Mkt	167/187c	+1	167/187c
Palladium oz	$128.00	—0.75	$140.75
Platinum oz	$559.50	+1.5	$591.50
Quicksilver†	$168/180	......	$160/180
Silver troy oz	393.45p	—11.00	399.85p
3 mths	403.60p	—11.50	410.15p
Tin			
Free mkt	£4220/270	—85	£3850/70
Tungsten	$46.98	......	$50.09
Wolfram 22.01lb	$32/42	......	$34/44
Zinc	£601	—1.5	£632.5
6 mths	£582.5	—5	£621.75
producers	$920	......	$920
OILS			
Coconut (Phil)	$365y	......	$315
Palm Malayan	$330v	......	$250
Copra (Phil)	$270y	+25	$190
Soyabean (U.S.)	$159z	......	$149
GRAINS			
Barley Fut. Jan.	£116.00	—0.25	£110.80
Maize	£143.00	......	£145.50
Wheat Fut. Jan.	£111.25	—0.75	£109.00
No. 2 Hard Wint.	‡	......	‡
OTHERS			
Cocoa Ft. Mar.	£1520.5	—2	£1536.5
Coffee Ft. Jan.	£2287.5	+40	£2252.5
Cotton A Ind.*	51.35c	+0.45	61.35c
Gas Oil Dec.	$129	+3.5	$199.0
Rubber (kilo)	65.75p	—0.25	67p
Sugar (raw)	$162.5y	—2.5	$124
Wooltops 64s	421p kilo	+2	405p kilo

‡ Unquoted. † Per 75-lb flask. c Cents a pound. * Cotton outlook. y Nov-Dec. w Oct-Nov. v Dec. z Jan-Feb. s Dec-Jan.

COFFEE

COFFEE	Yesterday close	+ or —	Business Done
Nov	2315-2328	+53.5	2345-2258
Jan	2285-2290	+40.0	2310-2245
Mar.	2165-2175	+25.0	2185-2135
May	2180-2190	+24.5	2190-2150
July	2185-2195	+17.5	2206-2165
Sept.	2200-2210	+66.0	2180-2170
Nov.	2200-2220	+45.0	—

Sales: 4,383 (5,595) lots of 5 tonnes.

ICO indicator prices (US cents per pound) for November 5: Comp daily 1979 157.34 (160.51); 15-day average 158.43 (159.82).

COCOA

After a day of extremely light volume of trade with prices confined to a £13 range, closing values were little changed. Very little physical interest was shown by either producers or consumers and business was restricted again to light second-hand activity, reports Gill and Duffus.

COCOA	Yesterday's close £ per tonne	+ or —	Business Done
Dec	1488-1489	+2.0	1495-1488
March	1520-1521	—9.0	1529-1518
May	1541-1542	—1.0	1549-1558
July	1565-1566	—0.6	1568-1561
Sept.	1584-1585	—2.0	1595-1588
Dec.	1611-1613	+0.5	1616-1612
March	1637-1638	—1.0	1643-1638

Sales: 1,465 (2,688) lots of 10 tonnes.

ICCO indicator prices (US cents per pound). Daily price for November 6: 92.47 (91.99); five-day average for November 7: 91.46 (91.43).

POTATOES

The market was devoid of strong direction, opening 90p down, basis April. In thin, quiet trade values drifted lower to register losses of over £2.00 by mid-afternoon. November also came under technical selling pressure, falling £8 in negligible volume. The closing call saw a burst of keen April buying interest which rapidly reversed the day's trend, reports Coley and Harper.

Month	Yesterday's close	Previous close	Business done
	£ per tonne		
Nov	105.00	109.00	109.00-105.00
Feb	138.00	123.50	122.10-122.00
Apr	167.80	167.40	167.80-165.00
May	186.50	186.40	188.50-186.00
Nov	85.10	85.00	—

Sales 452 (796) lots of 40 tonnes.

GRAINS

Old crop wheat and barley both found trade selling interest with commission house support holding values in early trading before easing on speculative selling pressure, fuelled by an unexpectedly high official estimate of the Soviet grain crop, reports T. G. Roddick.

Mnth	WHEAT Yesterday's close	+ or —	BARLEY Yest'rdy's close	+ or —
Nov	108.25	—0.85	109.90	—0.25
Jan	111.25	—0.85	113.00	—0.25
Mar	114.00	—0.15	116.05	—0.55
May	118.05	—0.35	115.80	—0.25
July	117.75	—0.25	—	—
Sep	101.55	—0.05	101.50	+0.05
Nov	103.90	—0.55	103.90	—

LONDON GRAINS—Wheat: US dark northern spring no 1 15 per cent Nov 106.25, Dec 107.25. US no 2 soft red winter, Nov 113.25, Dec 114.75. French 11½-12 per cent Nov 141.50. English feed fob Nov 112.50/113.00, Dec 113.50/114.00, Jan/Mar 116.50/117.00, April/May 118.50 sellers east coast. Maize: US no 3 yellow/French transhipment east coast Nov 143.00, Dec 145.00. Barley: English feed fob Nov 116.50 buyer, Dec 116.50/117.00 buyer/seller, Jan/Mar 118.50 buyer.

HGCA—Locational ex-farm spot prices (including co-responsibility levy of £3.373 a tonne): Feed barley: S. East 109.40, S. West 111.70, W. Mids 110.80, N. West 109.70. The UK monetary coefficient for the week begining Monday November 10 will change to 1.254.

Business done—Wheat: Nov 108.40-108.00, Jan 111.50-111.05, March 114.10-113.90, May 116.00-116.90, July and Sept entraded, Nov 103.90. Sales: 185 lots of 100 tonnes. Barley: Nov 110.00-109.90, Jan 113.30-113.00, March 116.40-116.05, May 116.80, Sept 101.50, Nov 104.00. Sales: 78 lots of 100 tonnes.

MEAT

MEAT COMMISSION — Average fatstock prices at representative markets. GB—Cattle 93.87p per kg lw (+1.65). GB—Sheep 182.31p per kg est dcw (+20.34). GB—Pigs 78.11p per kg lw (—2.22).

FUTURES—Pigmeat: Nov 107.50, Feb 101.30, sales 14. Pigs: Nov 102.30, Feb 96.70, sales 37. Live cattle: Nov 97.50, sales 2.

RUBBER

PHYSICALS—The London market opened slightly easier, met persistent selling pressure throughout the day and closed easier, reports Lewis and Peat. Closing prices (buyers): Spot 65.75p (66.00p); Dec 64.00p (64.50p); Jan 64.25p (64.75p). The Kuala Lumpur fob prices (Malaysian cents a kilo): RSS No 1 226.0 (same), and SMR 20 201.0 (202.0).

FUTURES—Index 660, Dec 652-667, Jan/March 662-667, April/June 672-677, July/Sept 674-680.

SUGAR

LONDON DAILY PRICE—Raw sugar $162.50 (£107.00), down $2.50 (down £2.00) a tonne for November-December delivery. White sugar $185.00, down $1.00.

Rumours that Mexico had sold 50,000/150,000 tonnes produced an easier tone, reports C. Czarnikow.

No. 6 Contract	Yest'rdy's close	Previous close	Business done
	$ per tonne		
Dec.	146.5-147.4	146.0-146.6	148.8-146.4
Mar.	158.8-158.8	158.8-160.4	158.8-156.6
May	161.8-161.8	165.4-162.8	162.4-160.8
Aug.	164.8-165.8	166.4-166.8	166.4-164.8
Oct	167.2-168.6	169.2-168.6	169.2-168.0
Dec.	169.2-172.6	172.0-174.0	—
Mar.	180.0-182.8	181.0-183.8	—

Sales: 2,106 (3,609) lots of 50 tonnes.

Tate and Lyle delivery price for granulated basis sugar was £210.00 (£213.00) a tonne for export.

International Sugar Agreement—(US cents per pound fob and stowed Caribbean ports.) Prices for November 6: Daily price 6.16 (6.17); 15-day average 6.78 (6.72).

PARIS—(FFr per tonne): Dec 1240/1245, Mar 1287/1290, May 1322/1327, Aug 1355/1367, Oct 1390/1405, Dec 1430/1450.

FREIGHT FUTURES

	Close	High/Low	Prev.
Dry Cargo			
Jan.	735/736	739/735	738/738.5
April	774/776	—	777/778
July	685/689	—	685/690
Oct.	750/752	755/750	750/755
Jan.	750/790	—	770/790
Apr.	860/910	—	860/900
July	750/790	—	780/788
BFI.	777		779.0

Trading was quiet as the market awaited fresh physical news, reports Clarkson Wolff.

	Close	High/Low	Prev.
Tankers			
Nov.	860/910	870	865/940
Dec.	965/1010	—	965/1000
Jan.	970/1010	—	—
Mar.	960/1050	—	960/1016
June	925/1005	—	940/1000
BTI.	951		952.5

Turnover: 143 (153).

US MARKETS

COCOA FUTURES saw a modest, but technically significant rise, with December values closing $21 per tonne higher on the day to test resistance at $1910, reports Heinold. Good chart bargain-hunting following an extended bearish run encouraged some observers to predict that the fears of origin selling, which had impeded both London and New York in the previous sessions, was diminishing following a constructive London performance. Sugar futures closed only 2 points lower at 7.17c per pound in the March delivery, leading some analysts to fear further profit-taking should the market be subjected to a test of the 7.10c level. A rally attempt in crude oil failed, as the lacklustre tone of the previous session gained the upper hand after December prices managed to climb at one point to $15.15. Traders still reported considerable scepticism in the market, which appeared to be overhanging any decisive move at the moment. Fears of Brazilian coffee offerings made for another nervous day, with December closing 1.79c per pound down at 171.91c.

NEW YORK

ALUMINIUM 40,000 lb, cents/lb	Close	High	Low	Prev
Nov	49.90	—	—	50.20
Dec	50.16	50.20	50.15	50.45
Jan	50.25	—	—	50.55
March	50.45	50.75	50.75	50.85
May	50.80	—	—	51.20
July	51.15	—	—	51.45
Sept	51.35	—	—	51.65
Dec	51.45	—	—	51.75
Jan	51.65	—	—	51.95
March	51.75	—	—	52.05

COCOA 10 tonnes, $/tonne	Close	High	Low	Prev
Dec	1909	1910	1886	1889
March	1958	1960	1943	1938
May	1989	1990	1972	1966
July	2010	2002	1995	1987
Sept	2033	2015	2016	2011
Dec	2055	—	—	2033
March	2076	—	—	2057

COPPER 25,000 lb, cents/lb	Close	High	Low	Prev
Nov	58.85	—	—	58.95
Dec	58.90	59.25	58.70	59.20
Jan	59.00	—	—	59.30
March	59.45	59.75	59.30	59.75
May	59.90	60.20	59.80	60.20
July	60.25	60.60	60.20	60.55
Sept	60.80	60.95	60.70	60.95
Dec	61.15	61.25	61.20	61.40
Jan	61.30	—	—	61.55
March	61.50	—	—	61.85

Yesterday's US market prices were not available for this edition

COTTON 50,000 lb, cents/lb	Close	High	Low	Prev
Dec	46.72	46.75	45.85	46.04
March	46.00	46.95	46.00	46.10
May	47.25	47.25	46.50	46.40
July	47.55	47.80	46.95	46.62
Dec	49.25	49.05	48.85	48.45
March	49.55	—	—	49.50
May	49.52	—	—	50.25

CRUDE OIL (LIGHT) 42,000 US gallons, $/barrels	Latest	High	Low	Prev
Dec	15.06	15.16	14.96	14.98
Jan	15.30	15.37	15.15	15.19
Feb	15.42	15.50	15.26	15.32
March	15.45	15.50	15.31	15.33
April	15.39	15.48	15.36	15.35
May	15.45	15.50	15.45	15.37
June	15.45	15.49	15.45	15.39
July	15.50	15.55	15.55	15.41
August	15.45	15.50	15.50	15.43

GOLD 100 troy oz, $/troy oz	Close	High	Low	Prev
Nov	406.9	—	—	409.3
Dec	408.5	409.9	406.0	411.1
Jan	410.1	408.5	408.5	412.7
Feb	411.7	413.3	409.2	414.3
April	414.7	416.5	412.8	417.3
June	417.9	418.5	416.5	420.5
August	421.3	—	—	423.9
Oct	424.7	425.5	425.0	427.3
Dec	428.3	430.0	426.5	430.9
Feb	432.4	433.0	431.0	435.0
June	440.8	442.0	437.5	443.5

ORANGE JUICE 15,000 lb, cents/lb	Close	High	Low	Prev
Nov	120.50	120.50	118.40	120.50
Jan	121.40	121.75	120.25	121.65
March	121.45	121.50	119.85	121.45
May	121.40	121.50	121.00	121.50
July	121.15	121.10	121.15	121.55
Sept	121.50	121.50	121.50	121.75
Nov	121.50	121.50	121.50	122.00
Jan	121.75	—	—	122.00

COFFEE "C" 37,500 lb, cents/lb				
Dec	171.91	173.25	168.50	173.70
March	166.45	167.00	163.50	168.12
May	166.75	166.75	164.54	166.64
July	169.00	169.00	164.99	168.39
Sept	167.63	167.25	167.00	170.30
Dec	166.50	—	—	166.00

HEATING OIL 42,000 US gallons, cents/US gallons	Latest	High	Low	Prev
Dec	42.58	42.80	42.25	42.67
Jan	43.90	44.20	43.60	43.82
Feb	44.80	45.20	44.60	44.65
March	43.80	44.15	43.46	43.91
April	42.60	43.00	42.25	42.91
May	41.55	42.20	41.25	42.00
June	41.35	41.60	41.35	41.75
July	41.50	41.60	41.70	41.75
August	42.00	—	—	42.40

PLATINUM 50 troy oz, $/troy oz	Close	High	Low	Prev
Nov	552.7	—	—	570.7
Dec	557.7	—	—	577.7
Jan	557.7	575.5	555.0	577.7
April	560.2	577.0	—	580.7
July	564.0	578.0	565.0	584.9
Jan	573.0	590.0	580.0	593.9

SILVER 5,000 troy oz, cents/troy oz	Close	High	Low	Prev
Nov	563.3	—	—	573.0
Dec	565.5	573.4	563.0	575.5
Jan	568.3	—	—	578.3
March	573.0	582.0	571.0	583.5
May	578.9	587.5	578.0	588.9
July	584.5	592.5	584.0	594.5
Sept	590.3	—	—	600.4
Dec	599.3	608.5	597.0	609.5
Jan	602.0	—	—	612.9
March	608.5	—	—	619.3

SUGAR WORLD "11" 112,000 lb, cents/lb	Close	High	Low	Prev
Jan	6.89	6.87	6.82	6.85
March	7.17	7.20	7.12	7.19
May	7.28	7.28	7.21	7.28
July	7.42	7.42	7.37	7.44
Sept	7.52	—	—	7.54
Oct	7.82	7.85	7.58	7.85
Jan	7.87	—	—	7.90

CHICAGO

LIVE CATTLE 40,000 lbs, cents/lb	Close	High	Low	Prev
Dec	59.85	—	59.35	60.17
Feb	57.10	57.27	56.75	57.37
April	57.45	57.60	57.12	57.65
June	56.77	56.95	56.50	56.85
Aug	55.75	55.95	55.45	55.85

LIVE HOGS 30,000 lbs, cents/lb	Close	High	Low	Prev
Dec	52.25	52.35	51.35	51.90
Feb	49.05	49.20	48.10	48.62
April	44.35	44.70	43.62	44.17
June	46.70	46.85	46.12	46.72
July	46.45	46.60	45.92	46.40
Aug	45.30	45.65	44.95	45.25
Oct	41.80	42.10	41.25	41.75
Dec	42.30	42.30	41.55	42.16

MAIZE 5,000 bu min, cents/56 lb bushel	Close	High	Low	Prev
Dec	172.4	175.0	172.4	176.2
March	183.0	183.6	182.2	184.0
May	189.0	189.4	187.6	189.0
July	191.2	192.0	190.2	191.0
Sept	192.4	192.8	192.2	192.0
Dec	196.0	196.5	193.6	194.4
March	203.0	203.0	201.4	201.4

PORK BELLIES 38,000 lbs, cents/lb	Close	High	Low	Prev
Feb	66.67	67.30	65.90	66.45
March	65.87	66.30	65.05	65.62
May	65.82	66.30	65.15	65.45
July	64.90	65.25	64.05	64.30
Aug	62.47	62.55	61.60	62.00

SOYABEANS 5,000 bu min, cents/60 lb bushel	Close	High	Low	Prev
Nov	504.4	506.0	496.0	500.2
Jan	502.6	503.0	496.6	499.4
March	506.2	506.4	507.0	503.5
May	510.2	510.2	505.0	507.0
July	513.4	513.4	507.4	510.8
Aug	511.4	511.4	507.4	509.0
Sept	501.4	502.0	499.0	500.4
Nov	502.6	503.0	499.4	502.0

SOYABEAN MEAL 100 tons, $/ton	Close	High	Low	Prev
Dec	149.7	151.0	149.3	150.0
Jan	149.3	151.0	149.2	149.9
March	149.6	150.8	149.5	150.1
May	149.5	150.7	148.5	150.3
July	149.4	150.9	149.2	150.3
Aug	149.8	150.5	149.5	150.5
Sept	148.8	150.3	148.8	149.8
Oct	149.5	150.0	149.6	150.6
Dec	151.0	152.0	151.0	151.5

SOYABEAN OIL 60,000 lbs, cents/lb	Close	High	Low	Prev
Dec	15.48	15.60	15.16	15.39
Jan	15.64	15.65	15.21	15.49
March	15.88	15.92	15.60	15.78
May	16.12	16.15	15.80	15.95
July	16.27	16.30	15.96	16.10
Aug	16.35	16.35	16.05	16.20
Sept	16.25	16.25	16.05	16.25
Oct	16.25	16.25	16.05	16.15
Dec	16.60	16.60	16.30	16.56
Jan	16.85	16.80	16.70	16.56

WHEAT 5,000 bu min, cents/60 lb bushel	Close	High	Low	Prev
Dec	293.2	293.4	289.2	290.6
March	274.2	274.6	270.6	272.6
May	257.4	258.2	255.4	255.2
July	244.0	244.6	243.0	244.5
Sept	245.4	—	—	245.4
Dec	251.4	—	—	251.4

SPOT PRICES—Chicago loose lard 15.00 (same) cents per pound. Handy and Harman silver bullion 568.5 (574.0) cents per troy ounce.

OIL

In the petroleum products market gas oil firmed over the day after a shaky start in the morning. Fuel oil was firm on end-user buying interest and traders' short-covering. Naphtha was quiet. Several barges of gasoline were traded at firmer levels with a premium of up to $7 over cargoes due to lack of refinery material. Crude trading remained thin in the 15-day market as rumours kept traders uncertain. However, trading in North Sea physical cargoes was active. Prices firmed with November 15-day Brent closing at $13.95-$14.05. December WTI opened 9c up on Nymex and traded a further 19c up by 1.30 pm EST—

	Latest	Change + or —
CRUDE OIL—FOB ($ per barrel)—Dec.		
Arab Light	—	—
Arab Heavy	—	—
Dubai	13.45-13.55	+0.20
Brent Blend	14.45-14.65	+0.16
W.T.I. (1pm est)	15.15-15.20	—0.16
Forcados (Nigeria)	—	—
Urals (cif NWE)	—	—
PRODUCTS—North West Europe Prompt delivery cif ($ per tonne)		
Premium gasoline	140-144	—
Gas Oil	119-123	+3
Heavy fuel oil	75-77	+4
Naphtha	192-194	+0.5

Petroleum Argus, London.

GAS OIL FUTURES

Month	Yest'rdy's close	+ or —	Business Done
	US $ per tonne		
Nov.	124.50	+2.50	124.50-18.75
Dec.	129.00	+5.50	129.00-24.00
Jan.	132.50	+9.50	132.75-28.00
Feb.	135.25	+2.75	135.25
Mar.	129.00	+0.50	129.00
Apr.	129.00	+1.00	129.00-26.75

Turnover: 3,078 (3,214) lots of 100 tonnes.

HEAVY FUEL OIL

Month	Yest'rdy's close	+ or —	Business Done
	US $ per tonne		
Nov.	71.00	+1.00	71.00
Dec.	74.50	—	74.50-73.50
Jan.	77.00	+1.25	77.00-75.50
Feb.	77.00	+0.25	77.00

Turnover: 13 (12).

CURRENCIES, MONEY & CAPITAL MARKETS

FOREIGN EXCHANGES

Uncertainty depresses dollar

CURRENCY TRADING was a little confused yesterday with traders unable to decide on future dollar trends. Reports from Japan that the dollar was best placed within a Y154-160 range were later denied by Japanese officials but this left the market unsure as to how the recent agreement between US and Japanese officials would affect the dollar. In addition there was uncertainty ahead of today's US unemployment data, the first significant set of statistics released since last week's encouraging decline in the trade deficit and a rise in leading economic indicators.

The dollar remained underpinned by institutional demand ahead of the third part of the US Treasury refunding package yesterday afternoon, involving the sale of $9¾bn of 30-year notes. However, it failed to break through the DM 2.07 level convincingly, and eased back as a result to close at DM 2.0610 from DM 2.0640 and Y163.25 compared with Y164.45. It was also lower against the Swiss franc at SFr 1.7195 from SFr 1.7250 and FFr 6.7225 from FFr 6.7325. On Bank of England figures, the dollar's exchange rate index fell from 112.7 to 112.3.

STERLING—Trading range against the dollar in 1986 is 1.5555 to 1.3700. October average 1.4270. Exchange rate index 69.5 against 69.5 at the opening and 69.1 on Wednesday. The six months ago figure was 75.6.

Comments by Mr Nigel Lawson, UK Chancellor of the Exchequer in his autumn statement drew a mixed response as the market tried to digest the various implications. However sterling remained firm, underpinned by recent opinion polls which show the Conservative party ahead of its rivals. The pound closed at $1.4310 from $1.4235 and DM 2.95 compared with DM 2.9375. Elsewhere it rose to SFr 2.46 from SFr 2.4550 and FFr 9.62 from FFr 9.5825. Against the yen it was easier at Y233.50 from Y234.00.

D-MARK—Trading range against the dollar in 1986 is 2.4710 to 1.9740. October average 2.0038. Exchange rate index 141.1 against 134.9 six months ago.

Early trading centred on whether the dollar would break through the DM 2.07 level in Frankfurt. It did briefly but lacked any conviction, falling back later in the day. A turnaround in sentiment was the main reason behind the dollar's attempted push through the DM 2.07 level but there was insufficient demand ahead of the third part of the US Treasury refunding package and today's US unemployment figures. The dollar was fixed at DM 2.0691 compared with DM 2.0580 on Wednesday and there was no intervention by the Bundesbank. A decision by the Bundesbank to leave interest rates unchanged was in line with market expectations. The dollar closed at DM 2.0645 onchanged

JAPANESE YEN—Trading range against the dollar in 1986 is 202.70 to 152.35. October average 156.26. Exchange rate index 206.2 against 205.3 six months ago.

Trading was a little confused in Tokyo yesterday following reaction to a report that Mr Kiichi Miyazawa, Japan's finance minister, had hinted that the curreot agreement between the US and Japan called for a dollar rate of Y154-160. The dollar closed at Y163.45 from Y164.10 in New York and Y163.0 in Tokyo on Wednesday. Earlier in the day it had touched a low of Y161.00. Despite the confusion, the dollar remained underpinned by institutional demand

The Nigerian naire rose by 7 per cent against the dollar at yesterday's auction in Lagos. The effective rate of exchange for the next week which includes a 0.5 per cent levy to the central bank is 3.6181 naira to the dollar from 3.8719 the previous week.

EMS EUROPEAN CURRENCY UNIT RATES

	Ecu central rates	Currency amounts against Ecu November 6	% change from central rate	% change adjusted for divergence	Divergence limit %
Belgian Franc	43.1139	43.4387	+0.75	+1.08	±1.5968
Danish Krone	7.81701	7.87678	+0.76	+1.09	±1.6403
German D-Mark	2.11083	2.09302	−0.84	−0.51	±1.1127
French Franc	6.87316	6.82637	−0.68	−0.37	±1.3659
Dutch Guilder	2.37833	2.36435	−0.59	−0.26	±1.5059
Irish Punt	0.764976	0.767290	+0.30	+0.66	±1.6683
Italian Lira	1476.95	1446.27	−2.08	−2.03	±4.0734

Changes are for Ecu, therefore positive change denotes a weak currency. Adjustment calculated by Financial Times.

POUND SPOT—FORWARD AGAINST THE POUND

Nov. 6	Day's spread	Close	One month	% p.a.	Three months	% p.a.
US	1.4240-1.4340	1.4305-1.4315	0.60-0.57c pm	4.91	1.75-1.70 pm	4.82
Canada	1.9775-1.9915	1.9860-1.9870	0.44-0.34c pm	2.36	1.22-1.07 pm	2.31
Netherlands	3.32-3.34¼	3.32½-3.33½	1⅝-1⅜c pm	5.41	4⅝-4⅜ pm	5.41
Belgium	61.00-61.55	61.20-61.30	22-16c pm	3.72	56-48 pm	3.40
Denmark	11.08¾-11.12¾	11.09½-11.10½	1½-¼ore pm	1.34	3¼-2¼ pm	1.09
Ireland	1.0775-1.0855	1.0810-1.0820	0.17-0.30p dis	−2.61	0.50-0.82 dis	−2.44
W. Germany	2.94½-2.95½	2.94½-2.95½	1⅝-1⅜pf pm	6.10	4⅝-4⅜ pm	6.10
Portugal	214.50-216.75	215.75-216.60	96-144c dis	−6.67	239-389 dis	−5.81
Spain	196.50-197.60	197.10-197.40	15-62c dis	−2.34	44-119 dis	−1.65
Italy	2030½-2042¾	2037½-2038½	3—par lire dis	−0.88	6-2 dis	−0.79
Norway	10.72¾-10.77¾	10.74½-10.75½	2⅞-3½ore dis	−3.56	10⅛-10⅞ dis	−3.91
France	9.60-9.63½	9.61½-9.62½	2⅞-2⅜c pm	2.96	7½-6¾pm	2.96
Sweden	10.02¾-10.06½	10.04-10.05	2¼-1⅞ ore pm	2.46	6⅝-5⅞ pm	2.49
Japan	233-234¾	233-234	1⅜-1⅛y pm	6.42	3⅞-3½ pm	6.21
Austria	20.69-20.79	20.75-20.78	9⅞-8⅝gro pm	5.35	27-23⅞ pm	4.85
Switzerland	2.45½-2.46¾	2.45½-2.46½	1⅝-1½c pm	7.62	4⅜-4 pm	6.81

Belgian rate is for convertible francs. Financial franc 61.55-61.65. Six-month forward dollar 3.32-3.27 c pm. 12-month 6.25-6.15 c pm

£ IN NEW YORK

Nov 6	Latest	Previous Close
£ Spot	1.4305-1.4315	1.4265-1.4275
1 month	0.56-0.53 pm	0.60-0.59 pm
3 months	1.79-1.74 pm	1.78-1.75 pm
12 months	6.35-6.25 pm	6.20-6.12 pm

Forward premiums and discounts apply to the U.S. dollar.

STERLING INDEX

	Nov. 6	Previous
8.30 am	69.5	68.8
9.00 am	69.4	68.8
10.00 am	69.3	68.9
11.00 am	69.4	69.0
Noon	69.4	69.0
1.00 pm	69.4	69.0
2.00 pm	69.3	69.0
3.00 pm	69.3	69.1
4.00 pm	69.5	69.1

CURRENCY RATES

Nov. 6	Bank rate %	Special Drawing Rights	European Currency Unit
Sterling	—	0.833775	0.710295
U.S. Dollar	5.5	1.18913	1.01244
Canadian $	8.58	*	1.40446
Austrian Sch.	4	17.3008	14.7199
Belgian Franc	8	51.0553	43.4387
Danish Kroner	7	9.25024	7.87678
Deutsche Mark	3½	2.46043	2.09302
Neth. Guilder	4½	2.77840	2.36435
French Franc	9½	8.02188	6.82637
Italian Lira	12	1699.26(1)	1446.27
Japanese Yen	3	194.304	165.787
Norway Krone	8	8.95296	7.62266
Spanish Peseta	—	164.219	139.666
Swedish Krona	7½	8.35839	7.11847
Swiss Franc	4	2.05303	1.74747
Greek Drach.	20½	167.400	142.126
Irish Punt	—	0.904153(1)	0.767290

* C$/SDR rate for Nov. 5; 1.65327
(1) SDR Rate for November 5.

DOLLAR SPOT—FORWARD AGAINST THE DOLLAR

Nov. 6	Day's spread	Close	One month	% p.a.	Three months	% p.a.
UK†	1.4240-1.4340	1.4305-1.4315	0.60-0.57c pm	4.91	1.75-1.70 pm	4.82
Ireland†	1.3170-1.3255	1.3240-1.3250	1.10-0.70c pm	8.19	3.10-2.40 pm	8.35
Canada	1.3860-1.3882	1.3870-1.3880	0.28-0.31c dis	−2.56	0.86-0.91 dis	−2.56
Netherlands	2.3200-2.3990	2.3265-2.3275	0.12-0.10c pm	0.57	0.35-0.32 pm	0.57
Belgium	42.69-42.94	42.75-42.85	3-5c dis	−1.12	13-17 dis	−1.40
Denmark	7.73½-7.79¾	7.75-7.75½	2.00-2.50ore dis	−3.47	6.75-7.25 dis	−3.60
W. Germany	2.0550-2.0710	2.0605-2.0615	0.24-0.21pf pm	1.31	0.72-0.67 pm	1.34
Portugal	150½-151	150¾-151	125-155c dis	−11.14	350-450 dis	−10.61
Spain	137.44-138.30	137.50-137.60	70-90c dis	−6.95	215-245 dis	−6.66
Italy	1420-1430	1423¾-1424¼	4-5lire dis	−3.78	14-15½dis	−4.13
Norway	7.50-7.54	7.51-7.51½	5.20-5.50ore dis	−8.53	16.65-16.95dis	−8.93
France	6.70¾-6.75¼	6.72-6.72½	0.80-0.90c dis	−1.51	3.00-3.20 dis	−1.84
Sweden	7.00-7.04	7.01¾-7.02¼	1.35-1.55 ore dis	−2.48	4.10-4.40 dis	2.42
Japan	162.75-164.05	163.20-163.30	0.27-0.22 y pm	1.79	0.63-0.58 pm	1.48
Austria	14.46½-14.56¼	14.50-14.50½	⅞-⅞ gro pm	0.52	1¼pm-¼ dis	0.10
Switzerland	1.7120-1.7280	1.7190-1.7200	0.42-0.37 c pm	2.75	0.90-0.85 pm	2.03

† UK and Ireland are quoted in US currency. Forward premiums and discounts apply to the US dollar and not to the individual currency. Belgian rate is for convertible francs. Financial franc 43.00-43.10.

CURRENCY MOVEMENTS

November 6	Bank of England Index	Morgan Guaranty Changes %
Sterling	69.5	−23.6
U.S. Dollar	112.3	+4.1
Canadian Dollar	77.7	−12.6
Austrian Schilling	132.0	+8.9
Belgian Franc	96.8	−6.1
Danish Krone	89.1	+1.6
Deutsche Mark	141.1	+18.7
Swiss Franc	164.2	+19.4
Guilder	129.5	+12.3
French Franc	70.3	−12.8
Lira	47.8	−15.9
Yen	206.3	+53.1

Morgan Guaranty changes: average 1980-1982=100. Bank of England Index (Base average 1975=100).

EURO-CURRENCY INTEREST RATES

Nov. 6	Short term	7 Days' notice	One Month	Three Months	Six Months	One Year
Sterling	11-11¼	11-11⅛	10⅞-11⅛	10⅞-11⅛	10⅞-11	10⅞-11
U.S. Dollar	6-6⅛	5⅞-6	5⅞-6⅛	5⅞-6	5⅞-6	6-6⅛
Can. Dollar	7⅞-8⅛	7⅞-8⅛	8⅛-8⅜	8⅛-8⅜	8½-8¾	8⅝-8⅞
D. Guilder	5¼-5⅜	5¼-5⅜	5⅛-5⅜	5⅛-5⅜	5⅛-5⅜	5⅛-5⅜
Sw. Franc	1⅞-2⅛	1½-1⅞	3-3⅛	3⅞-4	3⅞-4	3⅞-4
Deutschmark	4⅛-4⅜	4⅛-4⅜	4⅛-4⅜	4⅛-4⅜	4⅛-4⅜	4⅛-4⅜
Fr. Franc	7¼-7⅝	7¼-7⅝	7⅛-7½	7⅝-7⅞	7⅞-8⅛	7⅞-8⅛
Italian Lire	9-11	9-10	9⅞-10⅛	9⅞-10⅛	10⅛-10½	9⅞-10⅛
B. Fr. (Fin.)	7-7¼	7⅛-7⅜	7¼-7½	7⅜-7⅝	7⅜-7⅝	7⅜-7⅝
B. Fr. (Con.)	6¾-7¼	7-7½	7⅜-7⅝	7⅜-7⅝	7½-7¾	7½-7¾
Yen	4-4⅛	4⅛-4⅜	4¼-4⅜	4⅛-4⅝	4⅛-4⅝	4⅝-4⅞
D. Krone	9-9½	9¼-9¾	9½-10	9½-10	9¾-10¼	9⅞-10⅜
Asian $ (Sing.)	6-6⅛	5⅞-6⅛	5⅞-6⅛	5⅞-6⅛	5⅞-6	6-6⅛

Long-term Eurodollars: Two years 6⅞-6⅞ per cent; three years 7-7¼ per cent; four years 7½-7¾ per cent; five years 7¾-8 per cent nominal. Short-term rates are call for US Dollars and Japanese Yen; others, two days' notice.

OTHER CURRENCIES

Nov. 6	£	$
Argentina	1.6100-1.6170	1.1270-1.1310
Australia	2.2195-2.2235	1.5550-1.5570
Brazil	20.02-20.15	14.02-14.09
Finland	7.1350-7.1455	4.9900-4.9920
Greece	199.19-202.76	139.57-141.93
Hong Kong	11.1390-11.1495	7.8005-7.8025
Iran	110.35*	77.70*
Kuwait	0.4175-0.4185	0.29280-0.29300
Luxembourg	61.20-61.30	43.00-43.10
Malaysia	3.7455-3.7510	2.6250-2.6250
N. Zealand	2.8050-2.8150	1.9660-1.9715
Saudi Ar.	5.3510-5.3550	3.7495-3.7500
Singapore	3.1315-3.1365	2.1930-2.1950
S. Af. (Cm)	3.2995-3.2635	2.2755-2.2805
S. Af. (Fn)	6.6520-6.9765	4.6510-4.8780
U.A.E.	5.2405-5.2460	3.6725-3.6735

* Selling rate.

EXCHANGE CROSS RATES

Nov 6	£	$	DM	YEN	F Fr.	S Fr.	H Fl.	Lira	C $	B Fr.
£	1	1.431	2.950	233.5	9.620	2.460	3.330	2038	1.987	61.25
$	0.699	1	2.061	163.3	6.723	1.720	2.327	1424	1.388	42.80
DM	0.339	0.485	1	79.15	3.261	0.834	1.129	690.8	0.673	20.76
YEN	4.283	6.128	12.63	1000	41.20	10.54	14.26	8728	8.507	262.3
F Fr.	1.040	1.488	3.067	242.7	10	2.557	3.462	2119	2.065	63.67
S Fr.	0.407	0.582	1.199	94.92	3.911	1	1.354	828.5	0.808	24.90
H Fl.	0.300	0.430	0.886	70.12	2.889	0.739	1	612.0	0.597	18.39
Lira	0.491	0.702	1.447	114.6	4.720	1.207	1.634	1000	0.975	30.05
C $	0.503	0.720	1.485	117.5	4.843	1.238	1.676	1026	1	30.83
B Fr.	1.633	2.336	4.816	381.2	15.71	4.016	5.437	3327	3.245	100

Yen per 1,000: French Fr per 10: Lira per 1,000: Belgian Fr per 100.

FINANCIAL FUTURES

US auction hopes rise

THE FINAL leg of the US Treasury's $29bn quarterly refunding package was expected to be highly successful. Yesterday's auction of $9¼bn in 30-year US Treasury bonds was considered likely to meet with strong demand, particularly from Japanese investors, who were expected to buy up to 45 per cent of the bonds on offer. This followed the satisfactory outcome to Wednesday's sale of $9¾bn in 10-year notes and Tuesday's auction of $10bn in 3-year notes.

December US bond futures opened weak at 98-08 on the London International Financial Futures Exchange, following a news report from the Far East that Mr Kiichi Miyazawa, Japanese Finance Minister, had suggested the US and Japan wanted to see the dollar in a range of Y154 to Y160 against the yen.

As the time for the US Treasury auction approached the market grew increasingly nervous, taking the contract down to a low of 97-19, before it closed at 97-23, compared with 98-14 previously.

In deciding the success of the auction dealers will want to see the general identity of the successful bidders, but it was suggested that although the yield might be relatively high, this could have been a move to encourage Japanes investors.

December long term gilt futures finished just above the day's low at 111-02, after opening at 111-17 and touching a peak of 111-24. The contract declined from Wednesday's close of 111-09 to a low of 111-00. The weaker tone was matched by a decline in prices on the cash market, after a weak opening to the US credit markets. The stronger pound failed to support prices, as dealers waited cautiously for the Autumn Statement by Mr Nigel Lawson, Chancellor of the Exchequer. Early reaction to the Chancellor's speech was that the increase in 1987-88 public spending targets to £148bn from the £143.9bn forecast in the Budget could make it difficult for the Government to cut the level of UK taxation.

Three-month sterling deposit futures for December delivery were one of the brighter features, boosted by sterling's continued improvement on the foreign exchanges. The contract opened at 88.98, slightly above the day's low of 88.97. It traded up to e high of 89.13, before closing at 89.09, compared with 88.94 previously.

LIFFE LONG GILT FUTURES OPTIONS

Strike Price	Calls—Last Dec.	Calls—Last Mar.	Puts—Last Dec.	Puts—Last Mar.
106	5.05	5.59	0.01	0.47
108	3.10	4.29	0.06	1.17
110	1.35	3.13	0.31	2.01
112	0.34	2.13	1.30	3.01
114	0.08	1.29	3.04	4.17
116	0.01	0.58	4.61	5.46
118	0.00	0.34	6.60	7.22
120	0.00	0.19	8.60	9.07

Estimated volume total, Calls 1266 Puts 450
Previous day's open int, Calls 23,970 Puts 6,587

LIFFE US TREASURY BOND FUTURES OPTIONS

Strike Price	Calls—Last Dec.	Calls—Last Mar.	Puts—Last Dec.	Puts—Last Mar.
88	9.46	9.17	0.00	0.27
90	7.46	7.37	0.00	0.47
92	5.46	6.03	0.00	1.13
94	3.50	4.44	0.04	1.54
96	2.05	3.34	0.23	2.44
98	0.55	2.37	1.09	3.47
100	0.16	1.53	2.34	4.63
102	0.01	1.16	4.21	6.26

Estimated volume total, Calls 37, Puts 125
Previous day's open int, Calls 813, Puts 1036

LIFFE FT-SE 100 INDEX FUTURES OPTIONS

Strike Price	Calls—Last Nov.	Calls—Last Dec.	Puts—Last Nov.	Puts—Last Dec.
1550	—	11.01	—	0.31
1575	8.27	8.81	0.07	0.61
1600	5.94	6.80	0.24	1.10
1625	3.88	5.05	0.68	1.85
1650	2.24	3.58	1.54	2.88
1675	1.12	2.42	2.92	4.22
1700	0.47	1.56	4.77	5.86
1725	0.17	0.95	6.97	7.75

Estimated volume total, Calls 60, Puts 32
Previous day's open int, Calls 471, Puts 414

LIFFE £/$ OPTIONS
£25,000 (cents per £1)

Strike Price	Calls—Last Nov.	Dec.	Jan.	Mar.	Puts—Last Nov.	Dec.	Jan.	Mar.
1.30	13.35	13.35	13.35	13.35	0.00	0.00	0.11	0.57
1.35	8.35	8.35	8.35	8.35	0.00	0.10	0.56	1.55
1.40	3.35	3.54	4.01	4.44	0.08	0.88	1.91	3.42
1.45	0.28	1.00	1.67	2.30	2.09	3.34	4.57	6.28
1.50	0.00	0.16	0.53	1.05	6.81	7.50	8.43	10.03
1.55	0.00	0.01	—	0.42	11.81	12.35	—	14.40
1.60	0.00	0.00	—	0.15	16.81	17.34	—	19.13

Estimated volume total, Calls 37 Puts 101
Previous day's open int, Calls 2,477 Puts 2,838

LONDON SE £/$ OPTIONS
£12,500 (cents per £1)

Strike Price	Calls—Last Nov.	Dec.	Jan.	Mar.	Puts—Last Nov.	Dec.	Jan.	Mar.
1.35	7.80	7.80	7.80	7.85	0.25	0.25	0.75	1.60
1.40	2.70	3.20	3.65	4.15	0.25	1.15	2.15	3.55
1.45	0.25	0.85	1.40	1.95	2.80	3.90	5.05	6.50
1.50	0.25	0.25	—	0.90	7.80	8.35	—	10.45
1.55	0.25	0.25	—	0.45	13.70	13.70	—	16.10
1.60	—	0.25	—	0.25	—	18.70	—	20.90
1.65	—	0.70	—	1.50	—	18.70	—	20.20

Previous day's open int: Calls 2,411, Puts 1,011
Volume: 1

PHILADELPHIA SE £/$ OPTIONS
£12,500 (cents per £1)

Strike Price	Calls—Last Nov.	Dec.	Jan.	Mar.	Puts—Last Nov.	Dec.	Jan.	Mar.
1.30	2.80	12.90	2.80	2.80	—	—	0.05	0.45
1.35	7.90	18.00	7.90	8.00	—	0.10	0.45	1.35
1.40	2.95	3.30	3.70	14.20	0.10	0.85	1.90	3.00
1.45	0.15	0.80	1.20	1.90	2.05	3.35	4.40	5.80
1.50	—	0.10	0.25	10.60	7.20	7.75	8.60	9.90
1.55	—	—	—	10.20	2.10	12.70	—	4.30
1.60	—	—	—	0.05	7.10	17.60	—	9.00

Previous day's open int: Calls 61,285 Puts 89,080
Previous day's volume, Calls 10,802 Puts 580

LIFFE—EURODOLLAR OPTIONS
$1m points of 100%

Strike Price	Calls—Last Dec.	Mar.	June	Sept.	Puts—Last Dec.	Mar.	June	Sept.
93.00	1.04	1.07	1.00	—	0.00	0.03	0.11	—
93.25	0.79	0.85	0.80	—	0.00	0.06	0.16	—
93.50	0.55	0.64	0.62	—	0.01	0.10	0.23	—
93.75	0.33	0.46	0.46	—	0.04	0.17	0.32	—
94.00	0.15	0.31	0.33	—	0.11	0.27	0.44	—
94.25	0.05	0.19	0.22	—	0.26	0.40	0.58	—
94.50	0.01	0.11	0.14	—	0.47	0.57	0.75	—

Previous day's open int: Calls 1,458 Puts 1,710
Estimated volume, Calls 50 Puts 85

LONDON

20-YEAR 12% NOTIONAL GILT
£50,000 32nds of 100%

	Close	High	Low	Prev.
Dec.	111-02	111-24	111-00	111-09
March	111-06	111-18	111-14	111-13
June	111-06	—	—	111-13

Est volume 13,669 (11,515)
Previous day's open int. 26,838 (16,205).
Basis quote (clean cash price of 13% Treasury 2004/08 less equivalent price of near futures contract) −4 to 4 (32nds).

10% NOTIONAL SHORT GILT
£100,000 64ths of 100%

	Close	High	Low	Prev.
Dec	96-24	96-28	96-24	96-25
March	96-26	—	—	96-27

Est Volume 51 (231)
Previous day's open int. 847 (831)

THREE-MONTH STERLING
£500,000 points of 100%

	Close	High	Low	Prev.
Dec.	89.09	89.13	88.97	88.94
March	89.47	89.48	89.34	89.31
June	89.60	89.66	89.52	89.52
Sept.	89.52	89.50	89.47	89.44
Dec.	89.24	89.20	89.20	89.27
March	89.00	—	—	89.00

Est Volume 4,307 (3,264)
Previous day's open int 14,399 (13,665)

FT-SE 100 INDEX
£25 per full index point

	Close	High	Low	Prev.
Dec.	165.70	166.80	165.40	166.00
March	168.70	168.40	168.20	169.00

Estimated volume 443 (476)
Previous day's open int. 2,792 (2,730)

THREE-MONTH EURODOLLAR
$1m points of 100%

	Close	High	Low	Prev.
Dec.	[illegible]	[illegible]	[illegible]	94.08
March	[illegible]	[illegible]	[illegible]	94.07
June	[illegible]	[illegible]	[illegible]	93.92
Sept.	[illegible]	[illegible]	[illegible]	93.65
Dec.	[illegible]	[illegible]	[illegible]	93.29
March	[illegible]	[illegible]	[illegible]	92.90
June	[illegible]	[illegible]	[illegible]	92.52
Sept.	[illegible]	[illegible]	[illegible]	92.15

Estimated volume [illegible]
Previous day's open int. [illegible]

U.S. TREASURY BONDS 8%
$100,000 32nds of 100%

	Close	High	Low	Prev.
Dec.	[illegible]	[illegible]	[illegible]	98.14
March	[illegible]	[illegible]	[illegible]	97.18
June	[illegible]	[illegible]	[illegible]	96.21

Estimated volume [illegible]
Previous day's open int. [illegible]

CURRENCY FUTURES

POUND—$ (FOREIGN EXCHANGE)

Spot	1-mth.	3-mth.	6-mth.	12-mth.
1.4310	[illegible]	[illegible]	[illegible]	[illegible]

(IMM)—STERLING $e per £ [illegible]

LIFFE—STERLING $25,000 $ per £ [illegible]

CHICAGO

U.S. TREASURY BONDS (CBT) 8%
$100,000 32nds of 100%

	Latest	High	Low	Prev.
Dec.	98-01	98-12	97-28	98-20
March	97-04	97-13	96-30	97-22
June	96-06	96-13	95-30	96-23
Sept.	95-07	95-13	95-01	95-25
Dec.	94-10	94-16	94-08	94-29
March	93-20	93-20	93-15	94-03
June	92-26	92-26	92-23	93-11
Sept	—	—	—	92-03
Dec.	—	—	—	91-38
March	—	—	—	—

U.S. TREASURY BILLS (IMM)
$1m points of 100%

	Latest	High	Low	Prev.
Dec.	94.79	94.81	94.78	94.82
March	94.80	94.82	94.80	94.83
June	94.71	94.72	94.70	94.73
Sept.	94.49	94.51	94.48	94.50
Dec.	94.17	94.17	94.16	94.88

CERT. DEPOSIT (IMM)
$1m points of 100%

	Latest	High	Low	Prev.
Sept.	—	—	—	—
Dec.	—	—	—	94.46

THREE-MONTH EURODOLLAR (IMM)
$1m points of 100%

	Latest	High	Low	Prev.
Dec.	94.04	94.06	94.02	94.07
Mar.	94.03	94.06	94.02	94.06
June	93.89	93.91	93.86	93.90
Sept.	93.62	93.63	93.60	93.63
Dec.	93.27	93.27	93.25	93.27
Mar.	92.88	92.88	92.86	92.88
June	92.49	92.49	92.47	92.49
Sept.	92.11	92.11	92.09	92.11

STANDARD & POORS 500 INDEX
$500 times index

	Latest	High	Low	Prev.
Dec.	247.15	267.20	246.10	247.20
March	247.95	248.15	246.85	247.90
June	248.70	248.95	248.00	248.80

MONEY MARKETS

London steady on Lawson statement

INTEREST RATES remained steady on the London money market in quiet trading. Three-month interbank was unchanged at 11⅛-10⅞ per cent. There was little expectation of an early change in UK bank base rates. The Autumn Statement by Mr Nigel Lawson, the Chancellor, came after the market closed, but initial reaction from dealers was that it would have no immediate impact. Sterling's continued improvement on the foreing exchanges helped underpin sentiment, and the longer end of the market hal a slightly softer tone, while shorter term rates indicated no early change in the general structure of the market.

UK clearing bank base lending rate 11 per cent since October 15

The Bank of England forecast a money market shortage of £550m, and provided total assistance of £475m.

Before lunch the authorities bought £117m bills outright by way of £37m bank bills in band 1 at 10⅞ per cent; £51m bank bills in band 2 at 10⅞ per cent; £10m banks bills in band 3 at 10¾ per cent; and £19m bank bills in band 4 at 10⅞.

In the afternoon another £359m bills were purchased outright, through £175m bank bills in band 1 at 10⅞ per cent; and £184m bank bills in band 2 at 10⅞ per cent.

Bills maturing in official hands, repayment of late assistance and a take-up of Treasury bills drained £461m, with Exchequer transactions absorbing £30m; a rise in the note circulation £35m; and bank balances below target anther £30m.

In Frankfurt the Bundesbank council met, and as expecter left the West German discount rate 3 per cent and the Lombard rate at 5 per cent. Call money in Frankfurt eased to 4.50 per cent from 4.55 per cent, as credit conditions continued to improve after Wednesday's net injection of DM 1.7bn to the money market, via a securities repurchase agreement with the Bundesbank. Currency swaps to provide liquidity for the money market increased the Bundesbank's gross currency reserves by DM 3.2bn to DM 97.6bn in the last week of October, but banks were still short of funds, and borrowed DM 3.4bn through the central bank's Lombard facility. Overall banks holdings rose DM 43.2bn over the month. The minimum reserve requirement, before deduction of cash holdings was DM 53.1bn.

FT LONDON INTERBANK FIXING

(11.00 a.m. Nov. 6) 3 months U.S. dollars		6 months U.S. dollars	
bid 5⅞	Offer 6	bid 5⅞	Offer 6

The fixing rates are the arithmetic means, rounded to the nearest one-sixteenth, of the bid and offered rates for $10m quoted by the market to five reference banks at 11.00 a.m. each working day. The banks are National Westminster Bank, Bank of Tokyo, Deutsche Bank, Banque Nationale de Paris and Morgan Guaranty Trust.

MONEY RATES

NEW YORK (Lunchtime)

		Treasury Bills and Bonds	
Prime rate	7½	One month	[illegible]
Broker loan rate	6¾	Two month	[illegible]
Fed. funds	6	Three month	[illegible]
Fed. funds at intervention	6	Six month	[illegible]
		One year	[illegible]
		Two year	[illegible]

Nov. 6	Overnight	One Month	Two Months	Three Months	Six Months	Lombard Intervention
Frankfurt	4.45-4.55	4.40-4.55	4.50-4.65	[illegible]	[illegible]	[illegible]
Paris	7⅛	7⅛-7¼	7⅛-7½	[illegible]	[illegible]	[illegible]
Zurich	⅞-1⅛	3⅛-3⅜	—	[illegible]	[illegible]	[illegible]
Amsterdam	5¼-5⅜	5⅛-5⅜	—	[illegible]	[illegible]	[illegible]
Tokyo	3.96875	4.44375	—	[illegible]	[illegible]	[illegible]
Milan	10¼-11¼	10¼-11¼	—	[illegible]	[illegible]	[illegible]
Brussels	8	7⅛-7⅜	—	[illegible]	[illegible]	[illegible]
Dublin	12¾-13	13⅜-13⅝	13½-13¾	[illegible]	[illegible]	[illegible]

LONDON MONEY RATES

Nov. 6	Over-night	7 days notice	One Month	Three Months	Six Months	One Year
Interbank	11½-10	11¼-11	11⅛-10⅞	[illegible]	[illegible]	[illegible]
Sterling CDs	—	—	11-10⅞	[illegible]	[illegible]	[illegible]
Local Authority Deposits	11¼-11	11	11-10⅞	[illegible]	[illegible]	[illegible]
Local Authority Bonds	—	—	11⅛	[illegible]	[illegible]	[illegible]
Discount Market Deposits	11-10	10⅞	10¾	[illegible]	[illegible]	[illegible]
Company Deposits	10¾-10⅝	11⅛	[illegible]	[illegible]	[illegible]	[illegible]
Finance House Deposits	—	—	10⅞	[illegible]	[illegible]	[illegible]
Treasury Bills (Buy)	—	—	10⅞	[illegible]	[illegible]	[illegible]
Bank Bills (Buy)	—	—	10⅞	[illegible]	[illegible]	[illegible]
Fine Trade Bills (Buy)	—	—	11⅛	[illegible]	[illegible]	[illegible]
Dollar CDs	—	—	5.95-5.9[illegible]	[illegible]	[illegible]	[illegible]
SDR Linked Deposits	—	—	6⅛-5⅞	[illegible]	[illegible]	[illegible]
ECU Linked Deposits	—	—	7⅛-7¼	[illegible]	[illegible]	[illegible]

Treasury Bills (sell); one-month 10⅞ per cent; three-months [illegible]; Bank Bills (sell); one-month 10⅞ per cent; three months 10⅝-10⅞ per cent; Treasury Bills: Average tender rate of discount 10.5631 p.c. ECGD Fixed Finance Scheme IV reference date October 8 to 31 (inclusive). 11.237 per cent. Local Authority and Finance Houses seven days' notice, others seven days' fixed. Finance Houses Base Rate 11 per cent from November 1, 1986: Bank Deposit Rates for sums at seven days' notice 4.35-4.375 per cent. Certificates of Tax Deposit (Series 6): Deposit £100,000 and over held under one month 10¾ per cent; one-three months 11 per cent; three-six months 11 per cent; six-nine months 11¼ per cent; nine-12 months 11¼ per cent; Under £100,000 10¼ per cent from October 16. Deposits held under Series 5 10¼ per cent. Deposits withdrawn for cash 5½ per cent.

Company Notices

$ WORLD VALUE OF THE DOLLAR
BANK OF AMERICA GLOBAL TRADING ECONOMICS DEPT., LONDON

The table below gives the rates of exchange for the U.S. dollar against various currencies as of Wednesday, November 5, 1986. The exchange rates listed are middle rates between buying and selling rates as quoted between banks, unless otherwise indicated. All currencies are quoted in foreign currency units per one U.S. dollar except in certain specified areas. All rates quoted are indicative. They are not based on, and are not intended to be used as a basis for, particular transactions.

Bank of America NT & SA does not undertake to trade in all listed foreign currencies, and neither Bank of America NT & SA nor the Financial Times assume responsibility for errors.

Bank of America, Economics Dept., London, ECU=$US1.02069 SDR1=$US1.19366

Eurodollar Libor as of November 5, at 11.00 a.m. 3 months: 6 6 months: 6

Sibor as of November 5, at 11.00 a.m. 3 months: 6 1/16 6 months: 6

COUNTRY	CURRENCY	VALUE OF DOLLAR	COUNTRY	CURRENCY	VALUE OF DOLLAR	COUNTRY	CURRENCY	VALUE OF DOLLAR
Afghanistan	Afghani (o)	50.60	Gibraltar	Pound*	1.426	Papua New Guinea	Kina	0.9814
Albania	Lek	7.0828	Greece	Drachma	139.60	Paraguay	Guarani (o.c.) (4)	320.00
Algeria	Dinar	4.63	Greenland	Danish Krone	7.703		Guarani (d)	639.50
Andorra	French Franc	6.679	Grenada	E. Caribbean $	2.70	Peru	Inti (o)	13.95
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

n.a. Not available. (m) Market rate. *U.S. dollars per National Currency unit. (a) Freemarket central bank. (o) Official rate. (b) Floating Rate. (c) Commercial rate. (d) Freemarket. (e) Controlled. (f) Financial rate. (g) Preferential rates. (h) Non essential imports. (i) Floating tourist rate. (j) Public Transaction Rate. [illegible] For further information please contact your local branch of the Bank of America.

LONDON SHARE SERVICE

BRITISH FUNDS

"Shorts" (Lives up to Five Years)

Five to Fifteen Years

Over Fifteen Years

Undated

Index-Linked

INT. BANK AND O'SEAS GOVT STERLING ISSUES

CORPORATION LOANS

COMMONWEALTH & AFRICAN LOANS

LOANS

Building Societies

Public Board and Ind.

Financial

FOREIGN BONDS & RAILS

AMERICANS

AMERICANS—Cont.

CANADIANS

BANKS, HP & LEASING

Hire Purchase, Leasing, etc.

BEERS, WINES & SPIRITS

BUILDING, TIMBER, ROADS

BUILDING, TIMBER, ROADS—Cont

1986 High	Low	Stock	Price	+ or –	Div Net	C'vr	Y'ld Gr's	P/E
77	32	Copson (F.) 5p	51	.....	1.75	1.3	4.8	22.7
598	452½	Costain Group	492	+8	†17.0	2.5	5.0	9.4
483	296	Countryside Props	426	.....	†5.74	3.1	1.9	10.7
183	124	Crouch (D.) 20p	155	.....	†5.93	2.3	5.4	11.3
122	84	Dew (George) 25p	118	.....	†6.0	1.2	7.2	16.7
138	75	Douglas (Robt. M)	124	.....	2.25	2.0	2.6	24.2
24	16½	Dunton Group 5p	20	–½	0.4	2.2	2.0	21.8
160	100	EBC 50p	111	+5	†5.72	2.5	7.3	7.7
110	63	Erith	107	.....	†3.3	2.2	4.3	13.2
165	106	Fairbriar 10p	145	–1	1.4	2.9	3.9	12.5
103	77	Feb. Intl. 10p	101	.....	1.78	—	2.5	—
72	54	Do. 'A' 10p	70	.....	1.78	—	3.6	—
172	51	Federated Housing 5p	121	+1	†3.3	3.0	3.8	12.2
78	56	Finlan Group 10p	75	–1	a3.04	ϕ	7.1	ϕ
94	79	Galliford 5p	88	+1	4.8	1.4	7.7	13.4
63	27	Gibbs Dandy A 10p	60	.....	1.8	3.0	4.2	11.0
385	254	Gleeson (M.J.) 10p	341	+3	†5.37	3.4	2.2	11.8
150	86	HAT Group 10p	148	–2	†5.25	1.0	3.0	14.9
165	156	Harrison Inds 10p	157	.....	g5.0	2.7	4.5	11.0
393	56	Helical Bar	368	–10	—	—	—	—
238	179	Henderson Group	189	–1	7.0	1.8	3.3	12.6
80	44	Hewden-Stuart 10p	64	–2½	†1.7	3.0	3.7	11.3
£216	£130	Do. 10pcLn. 03-08	£177½	.....	Q10%	—	5.7	—
250	134	Heywood Williams	200	+2	†6.75	2.0	4.0	12.9
645	430	Higgs & Hill	573	+3	†13.6	3.1	3.3	12.0
45	29	Howard Shut 10p	45	.....	d1.4	1.8	4.4	18.1
200	127	Ibstock Johnsen	200	+6	†4.8	2.1	3.4	15.0
115	40	Intnl Anco Cpn	46	–2	—	—	—	—

DRAPERY & STORES—Cont.

ELECTRICALS

CHEMICALS, PLASTICS

DRAPERY AND STORES

ENGINEERING

ENGINEERING—Continued

FOOD, GROCERIES, ETC

HOTELS AND CATERERS

INDUSTRIALS (Miscel.)

INDUSTRIALS—Continued

INDUSTRIALS—Continued

1986 High	Low	Stock	Price	+ or –	Div Net	C'vr	Y'ld Gr's	P/E
102	70	♦Metsec 10p	79	+1	[illegible]	2.6	4.4	12.2
78½	45	Mitchell Cotts	60½	–1½	[illegible]	♦	3.3	♦
124	81	♦Monks & Crane 10p	112	----	[illegible]	2.9	3.4	13.7
323	210	Morgan Crucible	320	----	[illegible]	1.1	3.0	21.0
23½	15½	♦Morris (W) F.A. 20p	17	+1½	—	—	—	—
152	65	Myson Grp 10p	148	+5	[illegible]	2.6	2.5	19.1
368	230	♦NMW Computers	270	+25	[illegible]	3.0	3.1	15.5
96	27	Nash Inds.	83	–3	[illegible]	—	0.8	—
27½	12½	♦Neil & Spencer 10p	14½	----	—	—	—	—
39	28	Newman Inds 10p	35½	–1	[illegible]	1.5	3.2	(27.1)
134	65	Noble & Lund 10p	100	----	[illegible]	4.3	1.0	32.9
65	39	Nolton	50	+1	[illegible]	♦	3.4	♦
150	96	♦Norank Systems 5p	139	----	[illegible]	—	1.1	17.8
286	187	Novcros	258	–1	9.3	2.2	5.5	11.4
195	49	Nu-Swift 5p	186xd	–2	†3.5	2.1	2.6	25.0
£356½	£228	OCE 9pc Cn 1987-92	£292½xd	----	Q9%	—	(3.1	—
118	80	Oakwood Grp.	88	–2	†3.0	1.3	‡	12.2
250	185	Office & Elect	188xd	–3	8.5	2.9	6.4	7.7
183	70	Oldacre 20p	150	----	♦5.0	♦	4.0	♦
34	26	♦Omnitech 1p	29	–1	—	—	—	—
36	18	♦Optometrics $0.01	20	+2	—	—	—	—
890	500	Oriflame £1	860	----	†24.5	2.1	4.0	16.7
10	5	Overstone 12½c	7	----	♦Q3.23c	1.9	14.3	3.7
142	85	♦PCT Grp 10p	118	----	d3.2	—	6.0	—
£20½	£13¾	PLM 'B' Sk 25	£18½	–⅓	Q23.2%	0.3	3.3	—
195	114	PSM Intl.	192	----	♦†5.5	2.1	4.1	14.3
255	160	♦Pacer Systems $0.01	185	–2	[illegible]	3.4	1.4	20.6
78	50	♦Pacific Sales 10p	58	–1	3.0	1.4	8.5	11.9
445	246	Parker Knoll 'A'	439	----	12.0	3.2	3.8	11.5
222	83	♦Parkfield Group 2p	198	+3	3.6	4.2	2.6	12.6
53	17	♦Pavion Intl	24	–2	—	—	—	6.4
£130	£64½	Do 11pc Cv Ln '94-02	£74½	----	Q11%	—	(15.1	—
608	393	Pearson	576	+6	†10.0	2.8	2.4	18.7

LEISURE—Continued

MOTORS, AIRCRAFT TRADES

Motors and Cycles

Commercial Vehicles

Components

Garages and Distributors

NEWSPAPERS, PUBLISHERS

PAPER, PRINTING, ADVERTISING

PROPERTY—Continued

SHIPPING

SHOES AND LEATHER

SOUTH AFRICANS

TEXTILES

TOBACCOS

TRUSTS, FINANCE, LAND

Investment Trusts

INVESTMENT TRUSTS—Cont.

Finance, Land, etc

FINANCE, LAND—Cont.

OIL AND GAS

OVERSEAS TRADERS

PLANTATIONS

Rubbers, Palm Oil

Teas

MINES

Central Rand

Eastern Rand

Far West Rand

MINES—Continued

O.F.S.

Diamond and Platinum

Central African

Finance

Australians

Tins

Miscellaneous

INSURANCES

LEISURE

PROPERTY

NOTES

REGIONAL & IRISH STOCKS

The following is a selection of Regional and Irish stocks, the latter being quoted in Irish currency.

"Recent Issues" and "Rights" Page 43
(International Edition Page 33)

This service is available to every Company dealt in on Stock Exchanges throughout the United Kingdom for a fee of £875 per annum for each security.

LONDON STOCK EXCHANGE

Account Dealing Dates

*First Dealings	Option Declarations	Last Dealings	Account Day
Oct 11	Oct 23	Oct 24	Nov 3
Oct 27	Nov 6	Nov 7	Nov 17
Nov 10	Nov 20	Nov 21	Dec 1

*New time dealings may take place from 9.00 am two business days earlier.

Chancellor's speech turns gilt-edged downwards and Shell results disappoint equities

The announcemen) by the UK Chancellor of the Exchquer of plans to increase public spending next year threw the gilt-edged market back on its haunches yesterday. Early gains of ¼ point were swiftly replaced by net losses of ¼ as n sharp dip in Treasury bond futures undermined the cash market.

Earlier, Government bonds had traded very quietly while awaiting the Chancellor's speech to the House of Commons. Firmness in sterling enabled prices to edge forward but there was little strength behind the improvement.

Prices turned higher in their initial repsonse to the Chancellor's remarks, but soon changed direction as further details of the speech reached the City.

There was some disappointment at the lack of positive news on entry into the European Monetary System (EMS), and the closing firmness in sterling failed to impress the gilt-edged market. The Financial Times Governement Securities index ended a net 0.09 down at 83.10.

The equity market opened sharply higher as firmoess io the pound continued to dispel liogering fears that domestic interest rates might be forced higher. However, tha bullish mood was challenged wben Shell disclosed third quarter profits which were below market estimates.

Shell gave grouod initially, taking the rest of the oil sector down in its train, bot staged a good recovery before the close. Analysts commented that the receot huyers of oil stocks have been discounting hopes of higher oil prices rather thao of higher profits in the past three months.

The Chancellor's anoouncement oo puhlic spending hrought a renewed upswing in equities, but gains were not held. At the close, the FT-SE 100 index was 4.1 np at 1648.5, and the FT Ordinary index 7.8 higher at 1303.9.

Beecham and BAT Industries continued to find US buyers. Heavy turnover in Hansen Trust surprised some London dealers, who suspected that US huyers are taking Londoo registered stock as well as the Hnnson ADRs oow avallahla in New York.

A hefty fall in Exco, the mooey hroker, prompted tha admission that several key staff members have been "poached" from Wyco, the Far Eastern trading arm. At 230p, Exco eneded down 12.

McCorquodale, the security printers, jumped 15 to 290p as Mr Robert Maxwell committed bis 19 per cent stake to Norton Opax, wbich now seems to bave won the bid aoctioo with its 322p share exchange offer.

Turnover in TSB increased to 19m shares ahead of yesterday's deadltoe for cash dealings, whicb is likely to cbeck dealing by private investors.

Goode D. & Murray up

Goode Durrant and Murray, the trade finance, banking and property development concern, advanced 12 more making a two-day jump of 24 at 175p following news of the hid approach from Impala Pncific Corporation, n group controlled by Ariadne Australia. Hill Samuel reflected disappointmeot with the static interim proOts with a decline of 8 at 364p, hut Morgan Grenfell returned to favour with a rise of 5 at 388p. Midland remained the plck of the clearers, rising 8 more to 576p ahead of forthcoming company presentations to hrokers.

Adverse comment oo the group's agreed mereger with Fielding Insurance induced persistent selling of Lloyd's Broker C. E. Heath which fell 20 to 510p; PWS International, currently unwelcome hidders for Heath, gave up 13 to 292p in sympathy. Life issues made useful progress in places. Prudential, still reflecting its acquisitloo of a couple of estate agency husinesses, advanced 17 more at 818p.

With about a third of the issued left with the noderwriters, Avis Europe began trading wall below the offer prlce of 250p, bnt, with the help of "shop support" at the lower level the price rallied from the opening quote of 226p to touch 240p before the close of 237p—a first-day discount of 13.

Breweries put on an encouraging dinplay, although the leaders finished a shade below best levels. Puhlicity giveo to a hroker's circular encouraged interest in Allied-Lyons which rose 5 to 315p. Whitbread A, interim figures sheduled for November 19, ndvanced 8 to 270p, while Bass improved a similar amount to 743p, after 745p. Contioued speculatioo surrounding Mr Ron Brierley's interest in the company lifted Scottish and Newcastle 5½ more to 223½p. Guinness were also in demand and tonched 339p before settling 8 up on balance at 335p; the company's shares will be denlt to ADR form from next Friday. Regiooals were mixed. Revived takeover chatter lifted current high-flier Morland 6 more to 338p, while oews that Bestwood, 10 np at 515p, has increased its stake to 19.75 per ceot prompted "new-time" support for Buckleys, 3½ up at 133p. Greene King, another pereonlal takeover chestout, put on 10 to 274p, hut Burtonwood eased 12 to 738p reflecting disappointment with the statement which accompanied the interim results; iovestors were clearly hoping for oews of the property revalnation, speculation coocerning this has driveo the shares sharply bigher over the present trading Account.

Buildings firm

The Chancellor's proposals on bousing investment gave a fresh lift to an already buoyant Building sector and the leaders finished the session on a very firm note. Costain finished 8 up at 492p, while Alfred McAlpine rose 14 to 388½p. Redland firmed 5½ more to 401p with the new nil paid shares 7 to the good at 53p premium. Press comment highlighting bid possibilities gave a fresh boost to Blue Circle which gained 7 more to 631p, while revived demand in a restricted market lifted RMC 18 to 672p. BPB Industries rose 11 to 504p ahead on interim results due at the end of the mooth, while Ibstock Johnsen firmed 6 to 200p on takeover hopes. Bid speculation also boosted Bryant Holdings, np 9 nt 118p, but profit-taking in the wake of the excellent interim results lefi Helical Bar 16 lower at 388p. Westbury added 3 to 156p in reply to the good ioterim results and confident statement.

Storehouse higher

A Press article advising investors to witch out of Sears toto Storehouse induced good early support for the latter ahead of oext Thursday's interim figures and the shares touched 341p, before closing unaltered at 335p. Sears, meanwhile, a particularly buoyant market of late on consortium hid speculation, fell 4¼ to 131½p following end-Account profit-taking. Gussies, which the previous day announced that it had increased its stake in Harris Queensway to 23.39 per cent, firmed 1/16 more at £10½; HQ eased a penny at 213p. Elsewhere in Stores, W. H. Smith "A" rose 11 to 284p on speculative buying and Helene of London put on 3 at 26½p for the same reason. Lee Cooper continued to reflect the increased stake taken in the company recently by French interests and closed 11 higher at 281p.

Racal cootinued to reflect a Chase Manhattan Securities' "buy" recommendation and hopes that its Vodafone cellular radio business would be floated off by the company and rose 6 afresh at 178p. Revived hopes that the group's Nimrod aircraft will be chosen by the Government ahead of the American Boeing AWACS aircraft helped GEC advance 6 to 175p, while British Telecom added 5 at 194p, with seotimeot here helped by the Government's encouraging showing in a recent opinioo poll. BICC revived with a gain of 6½ at 276½p and Plessey improved 1½ at 184½p; the latter'n interim results are scheduled for next Thursday and oot Wednesday as suggested in this column yesterday. Elsewhere in Electricals, Amstrad firmed 4 to 126p following news that the company is to increase output of its most powerful personal computers after underestimating demand. Electrocomponents rose 15 to 367p in response to the increased interim profits, while Farnell jumped 11 to 185p in sympathy. MK respooded to ncquisition details with a leap of 24 at 379p and Wayne Kerr rose 10 to 65p on the announcemeot that Farnell had acquired 6.26 per cent.

Business io the Engioeering sector again ceotred oo secoodary issues. A. Cohen, still reflecting the receot good interim figures, featured a further rise of 60 to 605p. Comment in the Financial Times on the company's expansion programme prompted a rise of 7 to 222 in Wm. Cook, while speculative demand left Camford 11 higher at 92p and A. Lee, 6 dearer at 67½p. Staveley, interim results expected shortly, advanced 15 more to 555p.

A qnletly firm Food Retailiog sector showed J. Sainsbury 6 up at 411p ahead of next Tuesday's balftimer. Kwik Save revived strongly and closed 5 bigher at 286p, while Albert Fisher, still reflecting recent acquisition news, gaioed 8 to 176p. Normans added 1¼ to 60¼ in reply to the iocreased interim profits.

Pentland Industries were a good market at 45p, up 20, after having touched 465p. Interest was enlivened by news that the company's US associate Reebok International has made applicatioo to the New York Stock Exchange Exchange for a listing of its common shares. Elsewhere in the miscellaneous industrial sector, Blue Arrow firmed 7 to 405p as the company moved nearer to clinching its third US takeover. ncquisition news also helped British Vita which improved 2 to 263p. Revived hid speculation left London and Northern 34 better at 77p. Shiloh, still reflecting the almost doubled ioterim profits, gained 31 further to 186p, while demend in a restricted market left Bodycote 20 up at 340p. NMW Compoters continued the recovery movement with a fresb rise of 25 at 270p. Smiths Industries, scheduled to reveal preliminary figures on November 12, encouotered occasional huying and closed 7 firmer at 252p. Arenson gave up 4 at 48p after the interim figures. Among the leaders, Pilkington remained a lively market and reacted to 544p before picking np to close 3 cheaper oo the day at 546p.

TV shares made a very firm showing as iovestors responded to the Anglia TV eofranchisemeot plan. The latter put oo 7 more to 305p, while TV-am rose 10 to 210p and Yorkshire added 3 to 169p. Thames TV attracted good support and, in a market short of stock, pushed ahead to close a net 24 up at 340p. Grampian TV firmed 3 to 51p io reply to the good ioterim results.

Hopes that Monday's annoal figures would clear the uncertaioty hanging over Lucas Industries prompted demand which hrought a close of 10 higher at 469p.

Speculation that financial concero MAI would wreck the proposed Piccadilly House (Londool rescue deal and lauoch a bid for LCA forced tha last-named up 8 further to 123p. MAI has porchased more shares in LCA which raises its total stake to 22.3 per cent.

Among Properties, Regalian firmed 5 to 350p following the bumper interim figures, £35m rights issue proposal and 100 per cent scrip issue. Grainger Trust rose 65 more to 625p, a four-day gain of 85; the directors of the company feel that the recent price rise reflects limited huying io a restricted market.

Institutional buyers returned for Courtaulds after Wednesday'n lull in ioterest. The opshot was that some 4.5m shares were traded and the price resumed its recent rise to close 5 higher nt 324p.

M & G fell 7 to 290p following details of the Kielowort Bensoo offer-for-sale of 28m shares (represeoting 37.4 per cent of the M & G equity capital) at 270p. The sale will raise £75.6m and leave Kleinwort with a holding in the uoit trust group of only 4.2 per cent.

Shell disappoint

Disappointing third-quarter results from Shell — profits fell well short of market estimates — stifled the receot revival in the Oil sector. Shell dipped to 935p following the figures before steadying np to close 11 lower on balance at 942p. British Petroleum fell 20 to 689p. The Chancellor's proposal to accelerate repayment of advanced Petroleum Revenue Tax belped smaller issues recover from a shaky start. Britoil improved to 158p at one stage before easing back to close a fraction dearer on balance at 153½p. Elsewhere, Conroy Petroleum attracted revived speculative demand and gained 17 to 290p.

Wednesday's buoyant performance by South African Gold shares proved to be short-lived. Slightly easier indications from a subdued Johannesburg market were mirrored in Loodon and io major Continental centres, hut dealers reported revived demand from New York during the afternoon as bullioo improved a couple of poiots to close nt $408.25 an oz.

Consequently, heavyweight Golds displayed losses extending to 2 points with Vaal Reefs that much cheaper at £53⅛. Randfontein fell 1⅜ to £60¼. Hartebeest, 342p, and Kloof, 508p, both dipped arouod 20, while Freegold closed 31 off at 727p. The FT Gold Mines index gave up 9.2 to 291.5.

Financials remained irregular. South Africao issues continued to reflect Golds with "Amgold" 1⅜ lower at £50¼, whole Anglo American Corporation dipped below the £10 barrier to close at 995p. De Beers, a firm market of late, ran back 6 to 509p. In contrast, buyers returned for Consolidated Gold Fields; down to 637p amid initial profit-taking in the wake of the annual meeting, the shares soon responded to "cheap" support and fininshed 4 up on balance at 664p.

Australians gave modest ground in light trading as London followed the easier trend set by overnight Sydney and Melbourne. Leading resource counters went lower under the lead of Western Mining, finally 6 cheaper at 209p. An exception was provided by CRA whicb at 349p recovered moch of the previous day'a decline which followed news of the proposed A$309m rights issue. Golds showed Central Norseman 20 easier at 638p, whle Metana dipped 10 to 258p. Carr Boyd fell 3 to 56p despite the encouraging tenor of the qnarterly report.

Traded Options

Extremely lively conditions prevailed in Traded Options. Total contracts transacted amounted to 51,989—a figure exceeded only by the total of 67,187 on October 10 which followed the introduction of options to TSB. Current favourite Hansons Trust accounted for the lion's share of option business yesterday and attracted 18,408 calls—the December 180 and 200 series recorded 3,821 and 5,819 calls respectively. British Telecom contributed 3,279 calls and 1,486 puts, whila an active business also developed in TSB with 2,165 calls and 2,357 puts struck.

Traditional Options

- First dealings Nov 3 Nov 17 Dec 1
- Last dealings Nov 14 Nov 28 Dec 12
- Last declaration Feb 5 Feb 19 Mar 5
- For Settlement Feb 16 Mar 2 Mar 16

For rate indications see end of Unit Trust Service

Stocks favoured for the call included Gestetner, Cityvision, Morgan Grenfell, Equity and General, Hanson Trust, Vickers, Rivlin, Alpine Soft Drinks, North Kalgurli, Jerome, London International, Sears, Aspinall, Templeton Galbraith, Tay Homes, Amstrad, Raine Industries, Bejam, Tricentrol, Thames TV, Ryan and S & U Stores. A put was done in Dixons, wbile a double option was struck in Equity and General.

FINANCIAL TIMES STOCK INDICES

	Nov. 6	Nov. 5	Nov. 4	Nov. 3	Oct. 31	year ago
Government Secs	83.10	83.19	83.02	83.19	82.60	83.52
Fixed Interest	89.15	89.15	89.11	88.87	88.83	89.34
Ordinary	1,303.9	1,296.1	1,294.3	1,294.1	1,285.4	1,073.5
Gold Mines	291.5	300.7	281.2	271.5	277.2	238.3
Ord. Div. Yield	4.35	4.36	4.37	4.35	4.38	4.47
Earnings Yld.%(full)	10.04	10.06	10.08	10.07	10.12	10.97
P/E Ratio (net)	12.22	12.18	12.16	12.17	12.11	11.28
SEAQ Bargains (5pm)	32,328	29,616	30,360	33,179	28,132	—
Equity Turnover	—	1,176.00	1,153.26	726.68	1,512.78	589.71
Equity Bargains	—	41,679	44,328	39,534	43,590	25,274
Shares Traded (mil)	—	506.1	495.5	355.7	389.6	255.9

Opening	10 a.m.	11 a.m.	Noon	1 p.m.	2 p.m.	3 p.m.	4 p.m.
1305.6	1305.1	1300.9	1304.1	1304.9	1307.6	1307.6	1309.0

Day's High 1309.5. Day's Low 1284.3.

Basis 100 Govt. Secs 15/10/26, Fixed Int. 1928, Ordinary 1/7/35, Gold Mines 12/9/55, SE Activity 1974 *Nil=11.71.

LONDON REPORT AND LATEST SHARE INDEX: TEL. 01-246 8026

NEW HIGHS AND LOWS FOR 1986

NEW HIGHS (134)

AMERICANS (3), CANADIANS (1), BANKS (2), BREWERS (4), BUILDINGS (4), CHEMICALS (2), STORES (5), ELECTRICALS (3), ENGINEERING (4), FOODS (6), HOTELS (1), INDUSTRIALS (28), INSURANCE (1), LEISURE (10), MOTORS (1), PAPERS (7), PROPERTY (3), TEXTILES (3), TRUSTS (40), OILS (3), PLANTATIONS (1), MINES (2).

NEW LOWS (16)

AMERICANS (1) Colts Inds., BANKS (1) Business Mort. Trust, BREWERS (1) Invergordon, STORES (4) Fields (Mrs), Gee (Cecil), Tip Top, Windsmoor, ELECTRICALS (2) Fletcher Dennys, Northamber, ENGINEERING (2) Baker Perkins, Howden Grp., INDUSTRIALS (2) Dinkie Heal, Ropner A, LEISURE (3) Lewmar, Riley Leisure, Television Services.

TRADING VOLUME IN MAJOR STOCKS

The following is based on trading volume for Alpha securities dealt through the SEAQ system yesterday until 5 pm.

Stock	Volume 000's	Closing price	Day's change
ASDA-MFI	1,600	167	—
Allied Lyons	1,500	315	+5
BAT	3,900	484	−6
BOC	1,000	334	−3½
BTR	2,100	294	+6
Barclays	1,100	490	+2
Bass	359	743	+8
Beecham	2,900	440	—
Blue Circle	1,500	631	+7
Boots	2,400	236	−3
Brit. Aero	2,400	474	−5
Britoil	11,000	153½	+½
BP	6,500	689	−20
Brit. Telecom	15,000	193	+4
Burton	1,700	282	−3
Cable & Wire	2,200	319	+3
Cadbury Schwps	3,900	188	−½
Comm. Union	1,000	279	−2
Cons. Gold	1,100	664	+4
Courtaulds	4,400	324	+5
Dixons Grp.	2,100	352	−6
Fisons	471	578	+2
Gen. Accident	370	848	−1
Gen. Elect.	6,000	173	+4
Glaxo	1,300	921	−10
Grand Met	1,300	437	—
Gus "A"	716	£10½	+1/16
Guardian R.E.	346	809	−4
GKN	971	252½	+3
Guinness	2,100	335	+8
Hanson Trust	33	211½	+5½
Hawker Sidd	292	436	—
ICI	753	£10 11/32	—
Jaguar	747	516	+5
Ladbroke	2,400	374	+10
Land Securities	745	332	−1
Legal & Gen.	4,400	244	+9
Lloyds Bnk	393	424	−3
Lonrho	511	238	−½
Marks & Spncr	2,000	194	—
Midland Bnk	3,800	576	+8
NatWest Bnk	1,400	524	—
P & O	179	520	—
Plessey	5,200	184	+1
Prudential	709	814	+13
Racal	6,600	176	+4
Reckitt & Col	500	810	+5
Reuters	1,000	556	—
RTZ	269	685	+1
Royal Insrnce	116	813	−2
STC	2,400	162	—
Sainsbury	1,000	411	+6
Sears	8,800	131½	−4¼
Sedgwick	310	369	+1
Shell Trans	6,200	942	−11
Sun Alliance	230	684	−4
TSB	19,000	80	−½
Tesco	435	402	+2
Thorn EMI	344	471	+3
Trafalgar Hse	9,000	284	—
T'house Forte	6,000	175	+3½
Unilever	234	£19⅝	+¼
Utd Biscuits	434	236	+2

RISES AND FALLS YESTERDAY

	Rises	Falls	Same
British Funds	13	45	55
Corporations, Dom., and Foreign Bonds	18	4	47
Industrials	529	368	626
Financial & Properties	180	103	294
Oils	27	25	60
Plantations	4	2	8
Mines	21	93	68
Others	54	78	62
Totals	846	718	1,220

FT-ACTUARIES INDICES

These Indices are the joint compilation of the Financial Times, the Institute of Actuaries and the Faculty of Actuaries

EQUITY GROUPS & SUB-SECTIONS — Thursday November 6 1986

FIXED INTEREST

LONDON TRADED OPTIONS

Option		CALLS Jan.	Apr.	July	PUTS Jan.	Apr.	July
Allied Lyons (*316)	280	47	57	65	5	6	10
	300	30	38	48	9	15	18
	330	11	20	32	24	25	33
	360	5	9	—	48	50	—

Option		CALLS Nov.	Feb.	May	PUTS Nov.	Feb.	May
Midland Bk (*578)	500	85	102	115	2	5	10
	550	37	60	72	5	20	23
	600	6	25	32	27	32	42

EUROPEAN OPTIONS EXCHANGE

BASE LENDING RATES

WORLD STOCK MARKETS

AUSTRIA

Nov. 5	Price Sch*	+ or —
Credit'nst'lt pp	2,230	—10
Goesser	3,260	....
Interunfall	15,200	....
Jungbunzlauer	14,000	+1300
Laenderbank	2,230	—20
Perimooser	625	+5
Steyr Daimler	156	....
Veitscher Mag	11,000	....

BELGIUM/LUXEMBOURG

Nov. 6	Price Frs.	+ or —
B.B.L.	3,050	....
Banq. Gen. Lux.	16,300	....
Banq. Int. A.Lux.	13,150	+50
Bekaert	10,500	....
Ciment GBR	3,745	+5$
Cockerill	146	—1
Delhaize	2,850	+30
EBES	4,750	+10
Electrobel	14,925	....
Fabrique Nat.	1,99$	+45
GB Inno BM	8,440	+40
GBL (Brux)	3,795	—20
Generale Bank	5,820	—10
Gevaert	6,100	+60
Hoboken	7,650	+100
Intercom	3,770	—10
Kredietbank	16,125	....
Pan Hldgs.	11,290	....
Petrofina	9,360	+10
Royale Belge	29,150	....
Soc. Gen. Belge.	3,120	—25
Sofina	10,900	....
Solvay	8,080	+20
Stanwick Intl.	250	....
Tractionel	6,500	+200
UCB	9,000	—50
Wagons Lits	5,630	+30

DENMARK

Nov. 8	Price Knr %	+ or —
Baltica Skand.	640	+8
Cop Handels'nk.	950	+2
D. Sukkerfab.	368	+3
Danske Bank	275	+2
East Asiatic	170	+1
Forenede Brygg.	1,010	+10
GNT Hld	332	—$
I.S.S.B.	713	+13
Jyske Bank	485	+5
Novo Inds*	239	....
Privatbanken	239	+3
Superfos	128	—4

FINLAND

Nov. 5	Price Mks	+ or —
Amer	18$.3	+1.0
KOP	45.80	+0.65
Kone	203.0	+3
Finnish Sugar	91.25	—4.00
Nokia	144.0	+1.5
Pohjola "B"	85.55	—0.50
Rauma-Repola	17.75	—0.80
Stockmann "B"	144.5	+7.0
UBF "C"	50.55	—0.10
Wartsila (811)	168.0	—0.3

NETHERLAND

Nov. 6	Price Fls	+ or —
ACF Holding	87	+2.7
AEGON	90.8	+0.3
Ahold	107.$	+2.2
AKZO	157	+3.3
ABN	547.3	+1
AMEV	78	+0.6
AMRO	97.3	+1.3
Bredero Cert.	125	—1
Bos Kalis Westm	10.5	—0.6
Buehrmann Tet.	810	+1.6
Calland Holdings	19.6	....
Dordtsche Pet'm	193.5	+0.6
Elsevier-NDU	237	+2.5
Fokker	66.5	—1.6
Gist Brocades	45	+0.6
Heineken	173.5	+3.2
Hoogevens	54.6	+0.6
Huntr Doug NH	50	+0.1
Int. Mueller	84.5	+2
KLM	45.3	+0.6
KNP	155	+1.8
Naarden	90	....
Nat Ned Cert.	79.5	+1
Ned Mid Bank	207.5	+2
Nedlloyd	180.8	+0.7
Oce Grinten	451	+4
Ommeren (Van)	37.2	+0.2
Pakhoed	76.8	—1.3
Philips	44.9	+0.3
Robeco	92.7	+0.3
Rodamco	156.8	+0.2
Rolinco	84.1	+0.1
Rorento	49.6	....
Royal Dutch	208.1	—1.3
Unilever	497	+7.5
VMF Stork	98	+0.5
VNU	325	+0.5
Wessanen	81.6	+2
West Utr Bank	80	....

GERMANY

Nov. 6	Price Dm.	+ or —
AEG	312.5	+3.5
Allianz Vers.	2,270	+20
BASF	278	+0.5
Bayer	307.4	+6.6
Bayer-Hypo	570	+10
Bayer-Verein	528	+5
BHF-Bank	516	+10
BMW	572	—1
Brown Boveri	299	—8
Commerzbank	319.5	+3.5
Cont'l Gummi.	333	+2.8
Daimler-Benz	1,275	—6
Degussa	482	—2
D'sche Babcock	204	+3
Deutsche Bank	784	+5.5
Dresdner Bank	405.5	+8.3
Feld-Muehle Nbl	292	+3
Henkel	481	+14
Hochtief	1,185	+56
Hoechst	261.9	+1.1
Hoesch werke	130.1	—2.9
Holzmann (P)	555	+8
Horten	259.8	+4.5
Hussel	609	—13
Karstadt	468	+1
Kaufhof	536	—9
KHD	191	—1.5
Kloeckner	72.5	+1.3
Linde	798	—7
Lufthansa	182	—1
MAN	233.1	—2.3
Mannesmann	189.5	+8.7
Mercedes Hld.	1,155	—1
Metallgesell	311	—1
Muench Rueck	2,400	+50
Nixdorf	702	+9
Porsche	1010	+20
Preussag	205.5	—0.5
Rhein West Elect	254.3	+5.5
Rosenthal	414	+1
Schering	627.5	+7.5
Siemens	705	+3
Thyssen	147.8	+0.3
Varta	375	+7
Veba	285	+1.3
V.E.W.	151	....
Verein-West	475	....
Volkswagen	462	....

ITALY

Nov. 6	Price Lire	+ or —
Banco Com'le.	25,550	—440
Bastogi-IRBS	772	—13
Centrale	3,370	....
C.I.R.	7,820	+70
Credito Italiano	3,640	—40
Fiat	15,800	+20
Generel Assicur.	138,300	—700
Italcementi	77,050	+550
La Rinascenten	1,018	—46
Montedison	2,940	+15
Olivetti	14,950	—190
Pirelli Co.	7,400	+48
Pirelli Spa	6,270	—40
Saipem	4,$15	—$
Snia BPD	5,000	....
Toro Assic.	34,300	—700

FRANCE

Nov. 6	Price Frs.	+ or —
Emprunt 4½% 1973	1,650	+5
Emprunt 7% 1973	9,043	—55
Accor	432	+2
Air Liquide	373	—4
BIC	625	+30
Bongrain	2,830	+10
Bouygues	1,280	—10
BSN Gervais	4,320	+40
CIT Alcatel	2,030	+35
Carrefour	3,641	+46
Club Mediter'n	617	+13
Cie Bancaire	1,066	+18
Cofimeg	406	—2.6
Damart	2,140	+10
Darty	4,125	+50
Dumez S.A.	1,900	—29
Eaux (Cie Gen)	1,345	+5
Elf Aquitaine	314	....
Essilor	3,270	+20
Gen.Occidentale	1,000	+4
Imetal	60.7	+1.2
Lafarge Coppee	1,357	+42
L'Oreal	3,650	+65
Legrand	4,895	+131
Maisons Phoenix	186	+4
Matra S.A.	2,087	+8
Michelin B	2,313	—35
Midi (Cie)	1,680	+28
Moet.Hennessy	2,303	+30
Moulinex	65	+1.8
Nord Est	182	—0.2
Pernod Ricard	1,015	+15
Perrier	810	+8
Petroles Fra.	433	+3
Peugeot S.A.	1,090	+29
Printemps (Au.)	520	+36
Radio tech	815	—5
Redoute	2,300	+30
Roussel-Uclaf	1,425	+10
Sefimeg	480	+3
Skis Rossignol	1,820	—10
Telemec Elect	2,850	+20
Thomson (CSF)	1,526	+26
Valeo	506	+2

NORWAY

Nov. 6	Price Kroner	+ or —
Bergens Bank	188.5	+3.3
Borregaad	336	....
Christiana Bank	206.5	+6.5
Den Norke Cred.	17$.5	+2.5
Elkem	102	—0.5
Kosmos	146.5	....
Kvaerner	178	+1
Norcem	122	....
Norsk Data	214.5	+2.3
Norsk Hydro	145.5	+2.6
Storebrand	312	+3.8

SPAIN

Nov. 6	Price Pts %	+ or —
Bco Bilbao	1,100	....
Bco Central	855	—5
Bco Exterior	370	—13
Bco Hispano	430	—5
Bco Popular	1,160	....
Bco Santander	855	—5
Bco Vizcaya	1,330	—20
Dragados	390	....
Hidrola	107.7	—1
Iberduero	146	—3
Petroleos	332.2	—0.8
Telefonica	163	—1.5

SWEDEN

Nov. 6	Price Kroner	+ or —
AGA	211	+2
Alfa-Laval B	295	+1
ASEA (Free)	372	—2
Astr (Free)	563	....
Atlas Copco	217	—1
BeijerA.B.	193	....
Cardo (Free)	200	....
Cellulosa	285	—1
Electrolux B	344	+3
EricssonB.	244	—1
Esselte	16$	+3
Mo och Domsjo	286	—12
Pharmacia	204	+7
Saab Scania Free	750	+3
Sandvik	176	....
Skandia	146	+1
Skan Enskilda	140	+1
SKF	358	+6
StoraKopparbrg.	306	+3
Sven. Handlsbk	472	+2
Swedish Match	470	+5
Volvo B (Free)	590	+1

SWITZERLAND

Nov. 5	Price Frs.	+ or —
Adia Intl.	8,375	+175
Alusuisse	590	....
Bank Leu	3,800	+80
Brown Boveri	1,640	+20
Ciba Geigy	3,325	....
do. (Part Certs)	2,560	—5
Credit Suisse	3,710	....
Elektrowatt	5,350	....
Fischer (Geo)	1,850	—20
Hoff.RochePtCts	115,250	+2,000
Hoff-Roche 1/10	11,400	+60
Jacobs Suchard	8,325	....
Jelmoli	4,125	+100
Landis & Gyr	1,880	....
Nestle	8,800	+50
Oer-Buehrle	1,370	....
Pirelli	461	+4
Sandoz (Br)	11,475	—25
Sandoz (Pt Cts)	1,810	—10
Schindler (Pt Cts)	585	....
Sika	1,320	+10
Surveillance A	8,100	+75
Swissair	1,260	....
Swiss Bank	532	....
Swiss Reinsce.	18,600	+100
Swiss Volksbk.	2,335	+5
Union Bank	3,875	+13
Winterthur Inh.	7,050	+100
Zurich Ins.	8,100	....

AUSTRALIA

Nov. 6	Price Aust. $	+ or —
ACI Intl.	4.0	....
Adelaide Steams	14.1	+0.4
Amcor	3.8	+0.05
ANZ Group	5.68	+0.02
Ampol Pet.	9.7	—0.02
Ashton	2.3	....
Aust. Guarantee	3.30	....
Aust. Nat. Inds.	3.1$	+0.01
Bell Group	10.6	—0.1
Bell Res.	4.27	+0.05
Bond Corp Hldgs	2.76	—0.02
Boral	4.4	—0.06
Bougainville	3.2	—0.06
Brambles Inds.	7.23	+0.06
Bridge Oil	0.79	+0.01
B. H. Prop.	8.54	—0.02
Burns Philp	8.9	+0.01
CRA	7.82	—0.04
CSR	3.01	+0.05
Chase Corp.	8.3	....
Claremont Pet.	0.99	....
Coles-Myer	6.6	+0.1
Comalco 'A'	2.5	....
Consolidated Pet	0.26	—0.04
Costain Aust.	3.0	....
Elders IXL	4.0	+0.06
Energ Res.	1.68	+0.05

AUSTRALIA (continued)

Nov. 5	Price Aust. $	+ or —
Gen. Prop. Trust	2.6	—0.05
Hardie (James)	3.85	—0.01
Hartogen Energy	2.40	—0.05
Herald W'yTimes	7.65	—0.04
ICI Aust.	2.6	—0.05
Industrial Equity	3.35xr	....
Jimberlana F.P.	0.37	+0.01
Kia Ora Gold	0.31	....
Kidston Gold	5.06	—0.08
Lend Lease	10.4	+0.2
MIM	2.52	—0.01
Mayne Nickless	3.87	+0.04
Nat. Aust. Bank	5.52	—0.02
News	35.5	....
Nicholas Kiwi	3.80	....
Noranda (P.P/pd)	2.05	....
North Broken Hill	2.65	....
Oakbridge	0.75	+0.01
Pacific Dunlop	3.62	—0.02
Pancontinental	2.8	+0.01
Pioneer Conc.	3.1	+0.1
Placer Pacific	2.89	—0.05
Poseidon	6.20	+0.02
Queensland Coal	1.74	—0.01
Reckitt&Colman	6.35	....
Repco	2.35	....
Santos	4.3	+0.05
Smith Howard	4.7	....
Thos. Nationwide	3.8	+0.05
Tooth	3	....
Vamgas	2.7	—0.05
Western Mining	4.82	+0.02
Westpac Bank	4.68	....
Woodside Petrol.	1.12	+0.07
Woolworths	3.8	....
Wormald Intl.	4.5	—0.08

HONG KONG

Nov. 6	Price H.K.$	+ or —
Bank East Asia	12.8	....
Cathay Pacific	5.45	—0.05
Cheung Kong	31.5	+1.25
China Light	12.9	—0.4
Evergo	0.35	+0.01
Hang Seng Bank	34.25	+0.25
Henderson Land	3.82	+0.05
HK China Gas	12.2	+0.5
HK Electric	9.95	—0.05
HK Kowloon Wh.	8.2	—0.05
HK Land	5.75	+0.05
HK Shanghai Bk.	7.2	+0.1
HK Telephone	14.9	+0.3
Hutchinson Wpa.	41.75	+1.25
Jardine Math.	19.5	+0.5
New World Dev.	8.8	+0.2
SHK Props	12.5	—0.2
Shell Elect.	0.83	+0.51
Swire Pac A	15.5	+0.1
TV—5	8.7	+0.05
Winsor Inds	5.6	+0.1
World Int. Hldgs.	3.071	....

JAPAN

Nov. 6	Price Yen	+ or —
Ajinomoto	1,370	—30
All Nippon Air	900	—2
Alps Electric	1,270	—30
Asahi Chem.	746	—11
Asahi Glass	1,230	—30
Bank Tokyo	885	—3
Bridgestone	653	+9
Brother Inds.	653	+21
Canon	1,050	—50
Casio Comp.	1,430	—30
Chugai Pharm.	1,190	—20
Daiei	1,190	+10
Dai-Ichi Kan. Bk.	1,570	+20
Dai Nippon Ink	445	—17
Dai Nippon Ptg.	1,370	—50
Daiwa House	1,370	+180
Daiwa Sec.	1,530	—40
Eisai	1,530	—40
Fanuc	6,880	—290
Fuji Bank	1,670	....
Fuji Film	3,070	—90
Fujisawa	1,230	....
Fujitsu	1,010	—60
F'jrukawa Elect.	470	....
Green Cross	2,320	+70
Heiwa Real Est.	949	—34
Hitachi	953	—30
Hitachi Credit	1,500	—80
Honda	1,950	—70
Indl. Bk. Japan	1,820	....
IshikawajimaHr.	420	+16
Isuzu Motor	381	+31
Itoh (C)	710	....
Ito Yokado	3,830	—70
JAL	2,900	—250
Jusco	1,610	....
Kajima	1,160	+70
Kao Corp.	1,460	—10
Kawasaki Steel	175	+3
Kirin	1,340	+20
Ko Steelbe	158	—1
Komatsu	486	....
Konishiroku	820	—2
Kubota	358	—7
Kumagai	1,080	—10
Kyocera	4,250	—100
Marubeni	460	—1
Marui	2,650	—20
Mazda Motors	367	—4
Meiji Seika	750	+13
MIE	1,750	—50
M'bishi Bank	1,520	—10
M'bishi Chem.	656	—10
M'bishi Corp.	994	+18
M'bishi Elect.	410	—15
M'bishi Estate	2,140	—70

JAPAN (continued)

Nov. 6	Price Yen	+ or —
MHI	412	....
Mitsui Bank	1,070	....
Mitsui Co.	540	—15
Mitsui Estate	1,620	+50
Mitsui Toatsu	500	+6
Mitsukoshi	1,050	—10
NGK Insulators	862	+6
Nikko Sec.	1,540	+10
Nippon Denso	1,510	—40
Nippon Elect.	1,900	—60
Nippon Express	1,010	+24
Nippon Gakki	1,530	—40
Nippon Kogaku	872	—33
Nippon Kokan	227	+16
Nippon Oil	1,100	....
Nippon Seiko	481	—2
Nippon Shimpan	940	—33
Nippon Steel	161	+4
Nippon Suisan	423	+6
Nippon Yusen	386	—3
Nissan Motor	543	....
Nisshin Flour	725	....
Nomura	2,830	+30
Olympus	1,090	—20
Onoda Cement	980	+13
Orient Finance	922	—38
Orient Leasing	3,300	—150
Pioneer	9,200	—40
Ricoh	925	—25
Sankyo	1,180	—10
Sanwa Bank	1,320	—10
Sanyo Elect.	380	—10
Sapporo	1,170	+40
Sekisui House	1,530	+40
Seven Eleven	8,100	+100
Sharp	965	—25
Shimizu Constn.	670	+1
Shionogi	1,350	+70
Shiseido	1,660	+10
Showa Denko	322	+1
Sony	3,420	—80
S'tomo Bank	1,820	+10
S'tomo Chem.	332	....
S'tomo Corp.	885	+5
S'tomo Elect.	1,630	+10
S'tomo Metal	138	—2
Taisei Corp.	817	—12
Taisho Marine	820	+3
Taiyo Kobe Bank	680	—3
Takeda	2,040	....
TDK	4,000	—190
Teijin	598	+28
Toa Nenryo	1,460	....
Tokai Bank	1,030	....
Tokio Marine	1,470	+20
Tokyo Elect Pwr.	7,720	+370
Tokyo Gas	967	+33
Tokyu Corp.	1,010	+25
Toppan Print	1,430	....
Toray	561	—8
Toshiba Elect.	596	+6
Toyo Seikan	1,230	+30
Toyota Motor	1,830	—70
UBE Inds	252	+4
Victor	2,810	—70
Yamaha	370	....
Yamaichi Sec.	1,320	—40
Y'manouchiPhm	3,160	+10
Yamazaki	1,430	—20
Yasuda Fire	770	—7

SINGAPORE

Nov. 6	Price $	+ or —
Boustead Hldgs.	1.43	—0.02
Gold Storage	3.72	—0.04
DBS	2.05	—0.35
Genting	5.95	+0.15
Haw Par Bros.	3.14	—0.04
Hong Leong Fin.	3.06	—0.12
Inchcape Bhd	2.94	—0.16
Keppel Corp.	2.87	—0.08
Malay Banking	5.50	+0.05
Malay Utd. Ind.	1.58	....
Multi Purpose	0.54	—0.02
OCBC	2.10	—0.05
OUB	3.74	—0.12
Public Bank	1.32	....
Sime Darby	1.84	—0.01
Singapore Air	9.48	—0.13
Singapore Press	8.40	—0.15
Straits Trading	3.76	—0.12
Tat Lee Bank	3.18	—0.06
UOB	4.64	—0.10

SOUTH AFRICA

Nov. 6	Price Rand	+ or —
Abercom	2.6	....
AE & CI	14.75	....
Allied Tech	90	....
Anglo Am. Coal	35.8	....
Anglo Am. Corp.	69.25	+1
Anglo Am. Gold	340	....
Barclays Bank	23	—0.25
Barlow Rand	21.85	+0.35
Buffels	85	—0.5
CNA Gallo	$	+0.1
Currie Finance	4.40	....
De Beers	35.25	+0.75
Driefontein	71.5	+0.75
F. S. Cons	58.5	....
Gold Fields S.A.	56	....
Highveld Steel	5.25	....
Malcor	14.85	....
Nedbank	6.35	—0.05
OK Bazaars	18.2	....
Rembrandt	79.5	....
Rust Plat.	50.25	....
Salren	17	....
Sage Holdings	2.65	+0.05
SA Brews	16.5	—0.1
Smith (CG)	51.5	+0.8
Tongaat Huletts	7.25	+0.15

NOTES — Prices on this page are as quoted on the individual exchanges and are last traded prices. $ Dealings suspended. xd Ex dividend. xc Ex scrip issue. xr Ex rights. xa Ex all. * Price in Kroner.

CANADA

TORONTO

Closing prices November 6

Sales	Stock	High	Low	Close	Chng
[illegible]					
2720	Carl OK	$13¾	13⅞	13¼	—⅛
12022	Carma A	14	13	13	—1
1602	Celanese	$17⅞	17⅞	17½	+¼
4880	CentFd A	$6¼	6⅞	6¼	+⅛
1300	Centrl Tr	$20¼	20¼	20¼	
115845	Cominco	$13½	13⅞	13½	+¼
[illegible]					
17184	Inter Pipe	$39¼	38⅞	38⅞	—⅛
1371	Ipsco	$7⅞	7½	7⅞	+⅛
9465	Ivaco A 1	$19¾	19⅞	19¾	+⅛
2205	Ivaco B	$19⅝	19⅝	19⅝	
4200	Jannock	$27¼	27⅞	27¼	+¼
1015	Kerr Add	$16⅞	16¾	16⅛	+¼
[illegible]					
5290	Redpath	$23	22⅞	22⅞	—⅛
1500	Regionl R	220	220	220	
33400	Reitman A 1	$28¾	28½	28½	—⅜
12042	Rio Algom	$22	21⅞	21⅞	
1100	Rogers A	$21⅝	21⅝	21⅝	—⅜
19850	Rogers B I	$22	21¾	21⅞	—⅛

F—No voting rights or restricted voting rights.

MONTREAL

Closing prices November 6

Sales	Stock	High	Low	Close	Chng
[illegible]					
16981	Royal Bank	$34	33¾	33⅞	
2350	RoyTrstco	$29¾	29⅝	29¾	+⅛
2100	SteinbrgA	$37¾	37½	37½	—¼

Total Sales 4,293,728 shares

Indices

NEW YORK—DOW JONES

	Nov 6	Nov 5	Nov 4	Nov 3	Oct 31	Oct 30	1985/86 High	1985/86 Low	Since Compilation High	Since Compilation Low
Industrials	1,891.59	1,888.04	1,882.44	1,894.26	1,877.81	1,878.37	1919.71 (4/9/86)	1502.29 (22/1/86)	1919.71 (4/9/86)	41.22 (2/7/32)
Transport	849.25	848.83	844.50	841.36	835.36	835.88	848.83 (5/11/86)	686.97 (9/1/86)	848.83 (5/11/86)	12.32 (8/7/32)
Utilities	210.58	210.44	210.39	210.87	209.41	208.72	219.15 (20/8/86)	169.47 (22/1/86)	219.15 (20/8/86)	10.5 (8/4/32)
Trading vol	—	183.17m	183.24m	138.22m	147.21m	194.22m	—	—	—	—

	Oct 31	Oct 24	Oct 17	Year Ago (Approx)
Ind Div Yield %	3.66	3.74	3.73	4.54

STANDARD AND POORS

	Nov 6	Nov 5	Nov 4	Nov 3	Oct 31	Oct 30	1986 High	1986 Low	Since Compilation High	Since Compilation Low
Industrials	273.36	274.19	273.66	273.07	270.90	270.37	282.24 (2/7)	224.48 (22/1)	282.24 (2/7/86)	3.62 (21/6/32)
Composite	246.87	246.58	246.26	245.80	243.98	243.71	255.3 (27/8)	203.48 (22/1)	253.3 (27/8)	4.40 (1/6/32)

	Oct 29	Oct 22	Oct 15	Year Ago (Approx)
Ind div yield %	3.04	3.09	3.07	3.71
Ind. P/E Ratio	17.24	16.92	17.66	12.71
Long Gov Bond Yield	7.78	7.82	—	10.15

N.Y.S.E. ALL COMMON

Nov 6	Nov 5	Nov 4	Nov 3	1986 High	1986 Low
141.56	141.01	141.60	141.37	145.75 (4/9)	117.75 (22/1)

RISES AND FALLS

	Nov 6	Nov 4	Nov 3
Issues traded	1,915	1,985	2,018
Rises	873	872	975
Falls	630	680	608
Unchanged	412	433	436

NYSE-Consolidated 1500 Actives

	Stocks Traded	3.00p.m. Price	Change on Day
Goodyear	4,876,800	48	—1⅛
Am Motors	4,284,000	3⅝	+⅛
Union Corp	4,244,200	27⅞	unch
BSX Cp	3,280,900	24⅞	—⅛
CPC Intl	2,883,600	78	+1
Archer-Dan	2,777,100	21⅞	+⅛
Gen Motors	2,565,900 xd	74⅞	—⅛
Hous Intl	2,529,500	35⅛	unch
IBM	2,332,700	128½	—2⅛
GTE Corp	2,188,300	62⅞	unch

Advances 856   Declines 980

TORONTO

	Nov 6	Nov 5	Nov 4	Nov 3	1986 High	1986 Low
Metals & Mins	2,133.40	2,128.60	2,121.90	2,113.7	2,442.85 (21/3)	1,917.4 (5/8)
Composite	3,070.00	3,060.70	3,062.80	3,061.5	3,128.11 (18/4)	2,754.8 (17/2)
MONTREAL Portfolio	555.36	1,558.52	1,557.92	1,554.8	1,623.33 (18/4)	1,386.6 (22/1)

* Indicates pre-close figure

	Nov. 6	Nov. 5	Nov. 4	Nov. 3	1986 High	1986 Low
AUSTRALIA						
All Ord. (1/1/80)	1381.1	1390.2	1381.1	1375.5	1390.2 (5/11)	1010.8 (2/1)
Metals & Mnls. (1/1/80)	706.9	708.5	706.9	697.8	718.9 (21/10)	481.1 (20/1)
AUSTRIA						
Creditbk Aktien(30/12/84)	227.89	(u)	227.92	227.86	288.64 (25/4)	228.58 (6/5)
BELGIUM						
Brussel SE (1/1/84)	3934.23	3921.82	3914.41	(c)	4054.53 (8/8)	2768.01 (15/1)
DENMARK						
Copenhagen SE (3/1/83)	195.27	192.79	194.25	194.21	266.70 (18/4)	190.28 (6/10)
FINLAND						
Unitas Genl. (1975)	404.1	404.9	405.8	403.3	417.7 (9/10)	258.5 (2/1)
FRANCE						
CAC General (31/12/82)	378.4	375.3	382.4	382.6	412.5 (1/8)	257.0 (2/1)
Ind Tendance (31/12/82)	144.7	144.4	146.3	146.5	158.0 (28/8)	101.6 (2/1)
GERMANY						
FAZ Aktien (31/12/58)	670.52	664.85	670.38	668.67	755.88 (17/4)	585.92 (22/7)
Commerzbank (1/12/53)	2071.8	1980.2	2015.3	2002.6	2278.2 (17/4)	1792.4 (22/7)
HONG KONG						
Hang Seng Bank(31/7/64)	2230.05	2205.71	2205.82	2258.70	2565.95 (28/10)	1559.84 (19/5)
ITALY						
Banca Comm Ital. (1972)	776.16	771.14	785.95	764.81	883.28 (20/5)	454.67 (24/1)
JAPAN**						
Nikkei (16/5/49)	16758.3	16715.7	16786.9	(c)	16936.2 (20/8)	12881.5 (21/1)
Tokyo SE New (4/1/68)	1385.46	1391.12	1396.94	(c)	1565.55 (20/8)	1025.85 (21/1)
NETHERLANDS						
ANP.CPS General (1970)	280.9	278.1	278.6	278.5	301.8 (8/8)	248.4 (3/8)
ANP.CBS Indust (1970)	278.5	276.2	278.2	278.9	303.8 (19/8)	254.8 (5/8)
NORWAY						
Oslo SE (4/1/83)	376.67	372.75	374.14	374.42	482.01 (16/1)	351.61 (4/8)
SINGAPORE						
Straits Times (30/12/66)	807.78	815.38	854.78	840.64	840.64 (5/11)	565.54 (28/4)
SOUTH AFRICA						
JSE Gold (28/9/78)	—	1877.8	1852.6	1758.3	2061.8 (19/8)	1109.1 (21/4)
JSE Indust (28/9/78)	—	1416.0	1406.9	1400.8	1416.0 (5/11)	1018.3 (2/1)
SPAIN						
Madrid SE (30/12/85)	182.87	184.22	186.69	185.85	280.79 (9/10)	100.55 (3/1)
SWEDEN						
Jacobson & P (31/12/56)	2652.25	2649.80	2661.70	2627.49	2652.25 (5/11)	1729.57 (29/1)
SWITZERLAND						
SwissBankCpn (31/12/58)	575.5	572.7	577.1	575.7	625.5 (8/1)	487.2 (4/8)
WORLD						
M S. Capital Intl.(1/1/70)	—	357.4	358.5	357.4	360.0 (1/9)	248.8 (23/1)

** Saturday November 1: Japan Nikkei 16,836.6. TSE 1,401.59.

Base values of all indices are 100 except Brussels SE—1,000. JSE Gold—255.7. JSE Industrial—264.3, and Australia. All Ordinary and Metals—500. NYSE All Common—50; Standard and Poors—10; and Toronto Composite and Metals—1,000. Toronto indices based 1975 and Montreal Portfolio 4/1/83. † Excluding bonds. ‡ 400 Industrials plus 40 Utilities, 40 Financials and 20 Transports. c Closed. U Unavailable.

OVER-THE-COUNTER

Nasdaq national market, closing prices

Stock	Sales (Hds)	High	Low	Last	Chng
[illegible]					

Continued from Page 43

Stock	Sales (Hds)	High	Low	Last	Chng
Quixote	112	12	11¾	11⅞	+⅛
RPM .72	16 211	20½	20¼	20¼	—¼
RadSys	11 1230	9¾	9	9½	+⅜
Rainer 1.08	10 161	33½	33¼	33½	+⅛
Reading	21 27	24¼	23⅞	23⅞	—¼
Robotic	12 10598	28	27	28	+¾
Reeves	22 717	9⅛	8¾	8¾	—⅜
Relac	49 4	11¾	11¾	11¾	

LONDON

Chief price changes (in pence unless otherwise indicated)

RISES

BICC	277	+9
Blue Circle	631	+7
Brit. Telecom	193	+4
Conroy Petrol	290	+17
Costain	492	+8
Courtaulds	324	+5
Delyn	188	+10
Electrocomp	367	+15
GEC	173	+4
Goods Durrant&M	175	+12
Grainger Trust	625	+65
Hanson Trust	211½	+5½
Kellock Trust	208	+20
Kwik Save	266	+5
LCA Hldgs.	123	+6
Ladbroke	374	+10
Lee Cooper	283	+13
Lucas Inds.	469	+10
M. K. Elect.	379	+24
McCorquodale	305	+15
Smith (W. H.) A	284	+11
Tarmac	470	+19
Thames TV	340	+24
Tomkinsons	205	+17
Wayne Kerr	65	+10

FALLS

BP	689	—20
Exco Intl.	230	—12
Heath (C. E.)	510	—20
Helical Bar	368	—18
Norton Opax	138	—8

NEW YORK STOCK EXCHANGE COMPOSITE CLOSING PRICES

12 Month High	12 Month Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
28 1/2	14 3/4	AAR s	.44	1.9	17	345	23 7/8	23	23	-3/8
55	21 3/4	ADT	.92	3.5		129	26 5/8	26 1/4	26 3/8	-1/8
33	16 3/4	AFG s	.12i	.4	15	1334	30	29 5/8	29 3/4	+1/4
25 3/8	15 5/8	AGS			16	290	23 7/8	23 1/4	23 5/8	+5/8
16	7 3/4	AMCA				42	6 1/4	6	6 1/4	+1/8
62 1/8	38 3/4	AMR			14	2069	60 3/4	60 3/8	60 1/2	+1/4
27 1/2	23 1/4	ANR pf 2.67		10.		3	26 3/4	26 1/4	26 3/4	+1/4
18 3/4	10	ARX	.71t	6.3	11	118	11 3/8	11 1/4	11 1/4	
41 1/2	28 3/4	ASA	2a	5.3		868	38 1/4	37	38	-3/8
18 5/8	6 3/4	AVX		2.5		559	13	12 5/8	12 5/8	-1/4
32	24 3/8	AZP	2.72	8.5	9	1134	28 3/4	28 1/2	28 3/4	
55	29 7/8	AbtLb s .84		1.9	20	2479	45 1/4	44 1/2	44 3/4	
33	22 1/2	AccoWd.56		2.0	18	26	27 5/8	27 1/8	27 5/8	+1/4
14 7/8	9	AcmeC .40		4.1		264	10 5/8	6 7/8	6 7/8	-1/8
9 1/4	8 1/4	AcmeE.32b		5.0	16	50	6 5/8	6 3/8	6 3/8	-1/8
23 7/8	17 1/4	AdaEx 4.45e		21.		68	20 7/8	20 3/8	20 3/4	
33 3/8	16 3/4	AdmMl .46		1.9	13	73	28	27 1/8	27 3/8	-3/8
20 3/8	12 1/8	AdvSyst.45t		8.7	13	62	15	14 5/8	14 7/8	
32 7/8	12 7/8	AMD				3445	16	16 3/8	16	
12 3/8	5 3/4	Adobe				121	5 3/4	6 3/4	6 3/8	
18 5/8	13 3/4	Adob pf 1.84		12.		1763	15 1/4	15 1/4	15 1/4	-1/8
20 1/4	15 1/4	Adob pf 2.40		13.		2	17 7/8	17 7/8	17 7/8	
[illegible]										

Continued on Page 43

NYSE COMPOSITE CLOSING PRICES

Continued from Page 42

12 Month High	Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
59	35	Penwlt	2.20	4.3	20	48	51½	51	51⅛	
87½	54	Pennw pr	2.50	3.3		2	76¾	76¾	76¾	+2
34¾	22¾	Pennw pr	1.60	5.2		6	30½	30½	30½	
81	46⅞	Pennzoil	2.20	3.9	71	1041	76¼	72½	73	−1⅛
23¾	16¾	PeopEnt	.32	5.0	19	427	23½	22¾	23⅛	−¼
48¼	25⅝	PepBoy	.22	.5	33	235	44¼	43¾	44	−⅛
35⅝	21⅛	PepsiCo	.64	2.2	17	9753	29⅞	27⅞	29¾	+1
[illegible]										

12 Month High	Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
72¼	49⅝	Xerox	3	5.2	13	1939	57⅞	57	57¼	−¾
58¼	54	Xerox pf	5.45	9.5		623	57⅝	57	57¼	+⅛
28¾	20¾	XTRA	.64	2.8		57	24¾	24¼	24½	−¼
18¾	13½	Yorkin n				135	17⅞	17⅝	17¾	+⅛
45¾	28¼	ZaleCp	1.40	3.2		724	43¼	42⅞	43¼	+¼
9½	2⅜	Zapata	.03j			583	2½	2⅜	2⅜	−⅛
43⅞	20¾	Zayre s	.32	1.1	16	1362	28	26⅞	27⅞	+1½
17	9¾	Zemex	.40	3.5	12	3	11½	11½	11½	+⅛
29⅞	16⅝	ZenithE				187	21⅞	21½	21⅞	+⅛
18¼	6	ZenLb s			59	1342	9¾	9¼	9⅝	−¼
22⅝	12⅞	Zero s	.29	2.0	15	309	14¾	14½	14¾	
45¾	32¾	Zurnin	1.32	3.4	15	250	39⅛	38⅝	38	
10⅝	9¾	Zweig n				571	9⅞	9¾	9¾	

Sales figures are unofficial. Yearly highs and lows reflect the previous 52 weeks plus the current week, but not the latest trading day. Where a split or stock dividend amounting to 25 per cent or more has been paid, the year's high-low range and dividend are shown for the new stock only. Unless otherwise noted, rates of dividends are annual disbursements based on the latest declaration.

a-dividend also extra(s). b-annual rate of dividend plus stock dividend. c-liquidating dividend. cld-called. d-new yearly low. e-dividend declared or paid in preceding 12 months. g-dividend in Canadian funds, subject to 15% non-residence tax. i-dividend declared after split-up or stock dividend. j-dividend paid this year, omitted, deferred, or no action taken at latest dividend meeting. k-dividend declared or paid this year, an accumulative issue with dividends in arrears. n-new issue in the past 52 weeks. The high-low range begins with the start of trading. nd-next day delivery. P/E-price-earnings ratio. r-dividend declared or paid in preceding 12 months, plus stock dividend. s-stock split. Dividends begin with date of split. sls – sales. t-dividend paid in stock in preceding 12 months, estimated cash value on ex-dividend or ex-distribution date. u-new yearly high. v-trading halted. vi-in bankruptcy or receivership or being reorganised under the Bankruptcy Act, or securities assumed by such companies. wd-distributed. wi-when issued. ww-with warrants. x-ex-dividend or ex-rights. xdis-ex-distribution. xw-without warrants. y-ex-dividend and sales in full. yld-yield. z-sales in full.

AMEX COMPOSITE CLOSING PRICES

Stock	Div.	P/E	Sls 100s	High	Low	Close	Chng
[illegible]							

OVER-THE-COUNTER

Nasdaq national market, closing prices

Stock	Sales (Hnds)	High	Low	Last	Chng
[illegible]					

Continued on Page 41

FINANCIAL TIMES
WORLD STOCK MARKETS

WALL STREET
Long bond auction acts as dampener

A WEAK BOND market, profit-taking and a loss of appetite for IBM shares combined to push down stock prices on Wall Street yesterday, *writes Roderick Oram in New York.*

Bond prices fell as confidence in a successful Treasury long bond auction sagged. In the event the average yield on accepted bids was 7.54 per cent, prompting a further decline in bond prices.

Late buying helped the Dow Jones industrial average to pull up partially from a 24 point loss at lunchtime to end the day with a net loss of 7.45 points at 1,891.59. The New York Stock Exchange Index fell 0.36 of a point to 141.55. Trading volume was 166.6m issues with declining issues outnumbering advancing by about three-to-two.

Among blue chips, General Electric fell $1 to $78, Du Pont eased $⅝ to $88¼, Procter and Gamble edged ahead $⅛ to $76⅛ and Westinghouse eased $¼ to $58⅜.

IBM fell $1⅞ to $121¼. Goldman Sachs removed the computer group from its recommended list. Among other technology stocks, Cray Research jumped $1½ to $76½, Honeywell fell $⅜ to $73⅜, Burroughs, which said it was disposing of its Memorex division, gained $1¼ to $79 and Digital Equipment fell $1⅞ to $102.

Goodyear Tire and Rubber fell $1¼ to $48 on trading of 5.5m shares. An investment group led by Sir James Goldsmith said it would offer $49 a share for the company. Earlier, Goodyear said it would buy back up to 20m shares equal to 16.5 per cent of the total and sell its aerospace and Motor Wheel units as parts of its restructuring designed to thwart the raid from Sir James's group.

GTE, the telecommunications group, fell $¼ to $62¼ after announcing it would buy back up to 10m shares, equal to 4.7 per cent of the total, and split the stock three-for-two as a defence against one or more investors who appear to be accumulating stakes. The Belzberg family of Canada and the Henley group have been the subject of market rumours about raids on GTE.

BankAmerica, off $⅜ to $15½, is believed likely to put its Charles Schwab discount brokerage subsidiary up for sale to help fend off a bid from First Interstate Bancorp.

General Motors rose $1⅛ to $74⅜. It said it would close nine plants employing 5 per cent of its workers over the next few years.

American Motors Corp. was one of the most active issues, gaining $⅛ to $3⅝ on trading of 4.6m shares on rumours that Chrysler was going to bid for it. AMC, in which Renault of France has a controlling stake, said it was not in negotiations with Chrysler which fell $⅝ to $36⅞.

Anchor Hocking, the glassmaker, rose $⅝ to $32⅞. Newell, a housewares manufacturer offered to buy the company at $34 a share. The bidder which has a stake in the target, rose $⅛ to $29¼.

Resorts International gained $21¾ to $130. Seatex, an Austrian casino and hotel operator, has proposed paying $180 for class B shares equal to 44 per cent of the votes of the US casino group, topping Pratt Hotel's $125 a share offer.

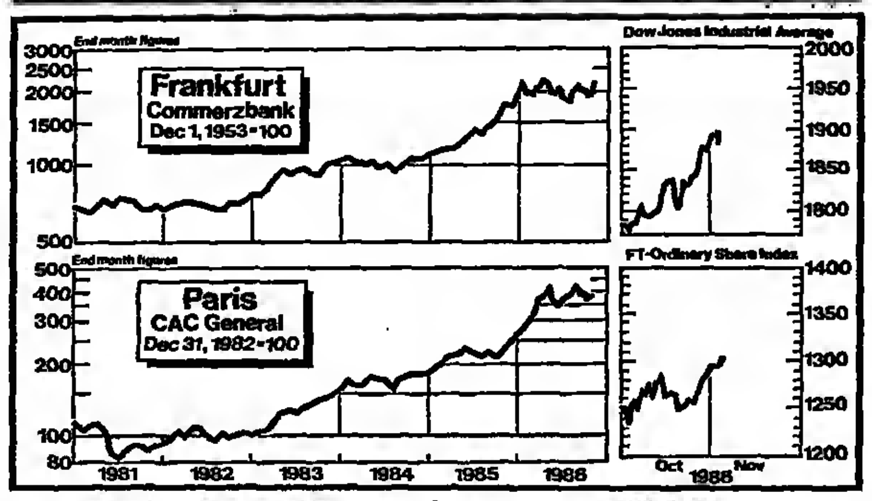
Lucky Stores gained $⅛ to $34. Mr Asher Edelman, who dropped his $37 a share bid last week, was thought to be rebuilding his shareholding.

Lear Siegler gained $⅞ to $91⅛. AFG Partners said it had arranged $850m finance for its $85 a share bid.

Ashland Oil fell $1⅛ to $56. It said it will be difficult in the current quarter to match year earlier profits of $1.41 a share. Among other oil companies Exxon fell $½ to $68⅞ and Chevron dropped $⅜ to $44 while Texaco slipped $⅛ to $35⅝.

The price of the benchmark 7.25 per cent long bond due 2016 fell ¹⁸⁄₃₂ of a point to 94⅝ at which it yielded 7.71 per cent. Three-month Treasury bills rose two basis points to 5.27 per ceot, six-month bills gained five basis points to 5.41 per cent and one-year bills gained four basis points to 5.48 per cent.

KEY MARKET MONITORS



STOCK MARKET INDICES

	Nov 6	Previous	Year ago
NEW YORK			
DJ Industrials	1,891.59	1,899.04	1,403.44
DJ Transport	849.25	849.63	673.92
DJ Utilities	210.56	210.44	160.70
S&P Composite	245.87	246.58	192.76
LONDON		Previous	Year ago
FT Ord	1,303.9	1,296.1	1,073.5
FT-SE 100	1,648.5	1,644.4	1,395.0
FT-A All-share	815.79	813.18	677.29
FT-A 500	892.62	889.32	738.67
FT Gold mines	291.5	300.7	238.3
FT-A Long gilt	10.32	10.30	10.44
TOKYO			
Nikkei	16,758.35	16,713.71	12,892.4
Tokyo SE	1,395.48	1,391.13	1,022.25
AUSTRALIA			
All Ord.	1,393.3	1,390.2	1,005.6
Metals & Mins.	707.5	709.8	498.4
AUSTRIA			
Credit Aktien	227.89	—	197.85
BELGIUM			
Belgian SE	3,934.23	3,921.82	2,815.66
CANADA	Nov 6		
Toronto			
Metals & Minls	2,133.40	2,129.50	1,824.0
Composite	3,070.80	3,060.70	192.76
Montreal			
Portfolio	555.36	550.52	131.45
DENMARK			
SE	193.27	192.79	231.01
FRANCE			
CAC Gen	379.40	376.30	225.0
Ind. Tendance	144.70	144.40	83.2
WEST GERMANY			
FAZ-Aktien	670.52	664.93	598.16
Commerzbank	2,021.90	1,999.20	1,769.2
HONG KONG			
Hang Seng	2,230.65	2,203.71	1,700.76
ITALY			
Banca Comm.	770.16	777.14	412.78
NETHERLANDS			
ANP-CBS Gen	280.90	278.10	233.0
ANP-CBS Ind	278.60	276.20	210.1
NORWAY			
Oslo SE	376.67	372.75	395.16
SINGAPORE			
Straits Times	907.78	915.99	769.68
SOUTH AFRICA		Prev	Year Ago
JSE Golds	—	1,877.0	1,088.3
JSE Industrials	—	1,416.0	935.4
SPAIN			
Madrid SE	182.67	184.22	92.95
SWEDEN			
J & P	2,652.25	2,646.80	1,505.58
SWITZERLAND			
Swiss Bank Ind	575.50	572.70	518.1
WORLD	Nov 5	Previous	Year ago
MS Capital Int'l	337.4	338.3	236.3

COMMODITIES

(London)	Nov 6	Prev
Silver (spot fixing)	393.45p	405.45p
Copper (cash)	£909.50	£919.00
Coffee (Jan)	£2,287.50	£2,247.50
Oil (Brent blend)	$14.50	$14.35

GOLD *(per ounce)*

	Nov 6	Prev
London	$408.25	$406.25
Zürich	$408.50	$406.15
Paris (fixing)	$405.50	$405.68
Luxembourg	$404.30	$411.00
New York (Dec)	$412.40	$408.50

CURRENCIES

	US DOLLAR		STERLING	
(London)	Nov 6	Previous	Nov 6	Previous
$	–	–	1.4310	1.4285
DM	2.0610	2.0640	2.95	2.9375
Yen	163.25	164.45	233.50	234.00
FFr	6.7225	6.7325	9.62	9.5825
SFr	1.7195	1.7250	2.46	2.4450
Guilder	2.3270	2.3320	3.33	3.32
Lira	1,424	1,426.50	2,036.00	2,030.50
BFr	42.60	42.85	61.25	61.00
C$	1.3875	1.3885	1.9865	1.9760

INTEREST RATES

	Nov 6	Prev
Euro-currencies (3-month offered rate)		
£	11 1/16	11 1/16
SFr	4	4 1/16
DM	4 11/16	4 11/16
FFr	7⅝	7⅞
FT London Interbank fixing (offered rate)		
3-month US$	6	6
6-month US$	6	6
US Fed Funds	6 1/16*	5 15/16
US 3-month CDs	5.60*	6.875
US 3-month T-bills	5.24*	5.39

US BONDS

Treasury

		November 6* Price	Yield	Prev Price	Yield
6⅝	1988	100[illegible]	6.272	100[illegible]	6.221
7¼	1993	100	7.18	100[illegible]	7.055
7⅜	1996	100[illegible]	7.351	100[illegible]	7.296
7¼	2016	99[illegible]	7.277	96[illegible]	7.572

Source: Harris Trust Savings Bank

Treasury Index

Maturity (years)	Return Index	Nov 6* Day's change	Yield	Day's change
1–30	157.90	−0.45	7.01	+0.04
1–10	150.72	−0.17	6.69	+0.04
1–3	141.28	−0.04	6.25	+0.03
3–5	153.53	−0.17	6.83	+0.04
15–30	183.73	−0.17	8.06	+0.07

Source: Merrill Lynch

Corporate	November 6* Price	Yield	Prev Price	Yield
AT & T				
3⅞ July 1990	92.23	6.30	92.23	6.30
SCBT South Central				
10⅞ Jan 1993	107.75	9.313	107.75	9.313
Phibro-Sal				
8 April 1996	98.25	8.269	98.374	8.25
TRW				
8⅞ March 1996	102	8.432	102.207	8.40
Arco				
9⅞ March 2016	107.205	9.157	107.205	9.157
General Motors				
8⅛ April 2016	91	8.99	91.5	6.947
Citicorp				
9⅞ March 2016	98.25	9.551	98.25	9.551

Source: Salomon Brothers

FINANCIAL FUTURES

CHICAGO	Latest	High	Low	Prev
US Treasury Bonds (CBT) 8% 32nds of 100%				
Dec	97–24	98–12	97–17	98–20
US Treasury Bills (IMM) $1m points of 100%				
Dec	94.80	94.81	94.78	94.82
Certificates of Deposit (IMM) $1m points of 100%				
Sep	n/a	n/a	n/a	n/a
LONDON				
Three-month Eurodollar $1m points of 100%				
Dec	94.04	94.07	94.03	94.08
20-year Notional Gilt £50,000 32nds of 100%				
Dec	111–02	111–24	111–00	111–09

* Latest available figures

LONDON
Chancellor takes lustre off gilts

THE GILT-EDGED market in London, which had edged forward in early trading on sterling's firmness, fell back yesterday as details of the Chancellor's planned public spending increases became known.

A sharp dip in Treasury bond futures undermined the cash market and gilts ended with net losses of ¼ of a point. Some disappointment was reported at the lack of positive news on British entry into the European Monetary System.

Heavy turnover in Hanson Trust surprised some dealers who suspected that US buyers were taking London-registered stock as well as the Hanson ADRs available in New York. Hanson gained 5½p to 211½p.

Exco, the money broker, lost 12p to 230p after news that several key staff had resigned from its W. I. Carr subsidiary.

The public spending plans brought a renewed upswing on the stock market, but gains were not held. The FT-SE 100 index ended 4.1 higher at 1,648.5, while the FT Ordinary index was 7.8 up at 1,303.9.

Chief price changes, Page 41; Details, Page 40; Share information service, Pages 38–39

HONG KONG

AFTER a sharply lower start, Hong Kong rebounded on bargain-hunting to take the Hang Seng index 26.94 points higher to 2,230.65.

The index had fallen more than 30 points in early trading on fears of trade protectionism in the US and selling interest by foreign institutions remained strong despite the rally.

China Light lost 40 cents to HK$19.90 after reporting higher profits and some analysts said investors were disappointed that the company did not announce a bonus issue. Other utilities were mixed, with HK Electric easing 5 cents to HK$9.95 and HK Telephone up 3 cents at HK$14.60.

SINGAPORE

THE DOWNWARD trend continued in Singapore as investors took little comfort from reports of 3.8 per cent economic growth in the third quarter. The Straits Times industrial index fell 8.21 to 907.76 on turnover of 28m shares compared with 30m on Wednesday.

The decline was seen as a continuing technical correction to the recent rally, although some analysts also detected investor concern over the possibility of growing US protectionism.

Banks were generally down, with DBS losing 35 per cents to S$9.05 and UOB off 10 cents at S$4.64. But Malayan Banking added 5 cents to S$5.30.

CANADA

MODEST gains, particularly among golds, lifted Toronto share prices out of their lacklustre performance of the past two days.

Among golds, Lac Minerals added C$¼ to C$27¼ and Dome Mines, which posted higher third-quarter profits, rose C$⅛ to C$10⅜. Elsewhere, Bombardier B shares firmed C$¼ to C$14¼ after the company won a large US contract.

Oils and precious metals were flat.

In Montreal, banks and utilities advanced but industrials eased slightly in moderate turnover.

SOUTH AFRICA

GOLD SHARES closed mixed to easier in Johannesburg after lower bullion prices were partly offset by a weakening in the financial rand.

Buffels dropped 50 cents to R85 and Driefontein 75 cents to R71.50 but Kinross was R2 firmer at R62. Other mining stocks saw Rustenburg Platinum steady at R50.25 but De Beers 75 cents ahead at R35.25.

SA Breweries, which has announced higher first-half profits eased 10 cents to R16.50.

Industrials were mixed to firmer.

TOKYO
Protectionist fears erode advance

COMPANY redevelopment plans and efforts by securities houses to lift the market out of its doldrums helped push Tokyo share prices higher for the first time in five trading days yesterday, *writes Shigeo Nishiwaki of Jiji Press.*

The Democrat mid-term victory in the US continued to influence movements, with stocks related to domestic demand rising on expectations that US pressure will increase on Japan to boost consumer spending. Blue chips, conversely, were depressed by small-lot selling triggered by investor fears of protectionist measures against Japan.

What buying enthusiasm there was remained limited, however, in a market still undergoing correction.

The Nikkei average ended at 16,758.35, up 44.64 from the previous day. Volume totalled 452m shares compared with Wednesday's 354m. Advances outran declines by 417 to 392, with 135 issues unchanged.

In lacklustre trading, Japan Steel Works topped the active list for the third consecutive trading day. With 66.62m shares changing hands, it gained Y38 to yet another high of Y356, reflecting investor expectations over a plan to redevelop a factory site.

The rise of Japan Steel Works sparked buying interest in issues expected to undertake similar redevelopment projects.

Ebara, which has a factory site in the Tokyo Bay area, scored a daily limit gain of Y100 to Y800 on 11.88m shares traded. Takaoka Electric rose Y40 to Y1,460 and Meidensha Electric Y41 to Y720, while Fuji Electric, the second most active stock with 29.96m shares traded, ended Y28 higher at Y427.

Tokyo Electric Power was bought briskly and soared Y370 to Y7,720 on 11.25m shares traded, supported by major securities houses' active buying aimed at curing the market of its depression.

Other large-capital stocks fared well and were actively traded, with Nippon Kokan adding Y15 to Y227, Isihikawajima-Harima Heavy Industries Y16 to Y420 and Tokyo Gas Y36 to Y967.

Blue chips fell almost across the board on concern that the pressure on Japan to cut its huge trade surplus with the US could gather momentum.

Hitachi shed Y30 to Y953, Mitsubishi Electric Y15 to Y410 and Fujitsu Y50 to Y1,010.

Bond prices firmed. The yield on the benchmark 6.2 per cent government bond due in July 1985 finishing at 5.070 per cent, unchanged from the previous day. But the yields on 6.5 and 6.8 per cent government bonds with similar maturities to the benchmark issue fell rapidly due to brisk buying by city banks.

Regarding terms for long-term government bonds to be issued in November, the finance Ministry plans to raise the coupon rate by 0.3 per cent to 3.4 per cent. This eased investor fears about the November bonds depressing the secondary market and buoyed buying interest.

EUROPE
Firm dollar points way to recovery

THE HIGHER dollar and a more realistic view of the impact of the US mid-term elections prompted a broad rally on the European bourses yesterday.

Paris recovered recently lost ground as bargain hunters moved into the market in force after Wednesday's sharp fall, which was prompted by the outcome of the US mid-term elections, which might lead to growing American protectionism.

Taking their cue from Wall Street professionals, French investors cold-shouldered the electoral outcome and concentrated their buying on export-oriented and dollar sensitive issues.

Cognac producer Martell jumped over 7 per cent with a FFr 108 rise to FFr 1,658, while Moët Hennessy, the champagne to rose bush group, added FFr 30 to FFr 2,303. Pernod Ricard firmed FFr 15 to FFr 1,015, while Source Perrier closed FFr 5 higher at FFr 810.

Electronics groups also found strong buying with Thomson CSF up FFr 28 to FFr 1,526, while Alcatel firmed FFr 35 to FFr 2,030.

Other gains proved more scattered, with car group Peugeot trading FFr 29 higher to FFr 1,090, Total CFP FFr 3 stronger at FFr 479 and Lafarge Coppée leading the building sector with a FFr 42 jump to FFr 1,357.

Frankfurt also staged a technical rally on the overnight gains from New York and the Commerzbank index jumped 22.7 to 2,021.9. The dollar's gains against the D-Mark also aided exporters.

Banks and chemicals enjoyed most of the limelight, however, as Dresdner gained DM 8.50 to DM 405.50 on reports that it was preparing a bid for Volksfürsorge Unternehmensgruppe, the trade union owned insurance group. Deutsche Bank was DM 3.50 up at DM 784 on persistent reports that it was still interested in buying the Italian subsidiary of BankAmerica.

Porsche among the car makers mirrored the strong dollar with its DM 20 advance to DM 1,010, although Daimler dipped DM 5 to DM 1,275. Machine makers were still perturbed by the prospects of US protectionism as MAN dipped DM 2 to DM 236.50 and KHD dipped DM 1.50 to DM 191.

Bond prices opened steady but surged later on rumours that the federal government was likely to cancel or at least delay, the launch of a new loan stock this month. Longs added up to 75 basis points.

The Bundesbank sold DM 98.3m worth of paper after selling DM 42.3m on Wednesday.

Stockholm returned to its record-setting form as the Veckans Affarer all-share index firmed 1 point to a peak 953.9. Some disappointment was evident, however, at the failure of the Riksbank to cut local interest rates, as some had expected.

Trading in Fermenta was suspended again, at the company's request. Shares in the biotechnology group closed on Wednesday at SKr 120.

The bourse is reportedly considering delisting and other sanctions against Fermenta for its alleged failure to inform the public of its planned linkup with Volvo.

Pharmacia jumped SKr 7 to SKr 204 on reports that a huge block trade was carried out on Wednesday and Electrolux closed SKr 5 up at SKr 344.

Milan was mixed with strong institutional buying evident. Fiat rose L20 to L15,800 ahead of the news that its bid for Alfa Romeo had been accepted.

Brussels turned brighter on the first day of the new account, while Amsterdam was buoyed by the higher dollar.

Zurich edged higher, while Madrid retreated in routine trading.

AUSTRALIA

INDUSTRIALS continued to attract enough demand in Sydney to offset pressure on golds and mining issues and to push share prices to a record high for the third consecutive day this week and the 44th time this year.

The All Ordinaries index rose 3.2 to 1,393.3 on higher turnover.

Hanimex again dominated trading with Chase buying some 6.7m shares at its A$1.15 a share bid price. Chase now has about 55 per cent of the electronics goods producer.

The golds and mining sector saw Kidston losing 4 cents to A$8.06, Bougainville off 6 cents at A$3.20 and CRA, down 4 cents at A$7.82, following news of a rights issue. BHP, the diversified resources group, was also a loser, shedding 2 cents to A$8.54.

However, late bargain-hunting among mines took Poseidon up 2 cents to A$5.26, another high for the year, and Western Mining also 2 cents higher to A$4.82.

News Corp was unchanged at A$35.50 in advance of a publishing foray into South-East Asia.